Austria	Sch 20	Indonesia	Rp 2500	Portugal	Esc 90
Bahrain	Din 0.650	Italy	L 1500	S. Arabia	Rls 8.00
Belgium	Fr 45	Japan	Y550	Singapore	S$ 4.10
Canada	C$1.00	Jordan	Fils 500	Spain	Pta 125
Cyprus	C£0.70	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 8.00	Lebanon	£L 8.00	Sweden	Skr 7.00
Egypt	£E1.00	Luxembourg	LFr 45	Switzerland	SFr 2.20
Finland	Fmk 6.50	Malaysia	Rm 4.75	Taiwan	NT$ 65
France	Fr 6.00	Mexico	Pes 300	Thailand	Bt 30
Germany	DM 2.20	Morocco	Dh 6.00	Tunisia	Din 0.600
Greece	Dr 80	Netherlands	Fl 2.75	Turkey	L 1250
Hong Kong	HK$ 12	Norway	Nkr 7.00	U.A.E.	Dh 6.50
India	Rup 15	Philippines	Pes 20	U.S.A.	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,831 Friday January 17 1986 D 8523 B

Recession strands North Sea oil minnows, Page 18

World news | Business summary

Defeated Christian chief flees Lebanon

The defeated Christian militia commander Elie Hobeika fled Lebanon aboard a helicopter with his family and key aides, as pro-Syrian militiamen attacked Christian mountain villages, raising fears of renewed sectarian violence.

The strike against Hobeika by followers of Christian hardliner Samir Geagea and members of the Phalange Party underscored opposition to a Syrian-brokered peace pact aimed at ending a decade of civil war.

Syria's stand on the latest developments in the Christian camp and the damage done to a reconciliation and reform plan worked out with Hobeika and Moslem militia commanders remained unclear. Page 4

Envoy ordered out

France ordered South Africa's military attaché to leave the country and will not allow him to be replaced.

S. Yemen talks

Talks were reported to be under way in the Soviet embassy in Aden, capital of South Yemen, to end four days of fighting between hardline Marxist rebels and rival Marxist forces backing President Ali Nasser Mohammed. Page 4

Lahore protest

Several thousand protesters burned US flags in Lahore, capital of Pakistan, to protest at US economic sanctions against Libya.

Algerian vote

Algerians voted on a revised version of the constitution that would give the private sector a bigger role in the country's Socialist system.

Spain-Israel link

Spain and Israel will establish formal diplomatic relations during a meeting at The Hague today. Page 2

Bus ambushed

Seven people, including two soldiers, were killed and 38 others wounded when suspected communist rebels ambushed a bus on the island of Mindanao, south-west Philippines.

IRA suspects held

Dutch police arrested three suspected supporters of the Irish Republican Army (IRA) in Amsterdam. The UK has asked to extradite two of them.

Punjab shooting

Sikh extremists shot dead the third Punjab policeman in a week as tension rose in the state over a census to determine the future of villages claimed by Hindu-dominated Haryana state.

Norway objects

Norway protested to Britain over plans to build a nuclear waste disposal plant on the north Scottish coast. It said the plant would raise the danger of polluting the North Sea.

Moroccan strike

Moroccan phosphate mines were brought to a standstill when another 11,000 miners went on strike.

Guards kill three

Three Basque youths were killed by Spanish civil guards in San Sebastian, northern Spain, when they opened fire on a lorry.

Ban on Farrakhan

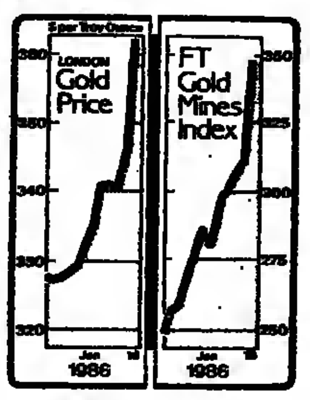
US black Moslem leader Louis Farrakhan, who is reported to have praised Hitler and attacked Judaism, is to be banned from entering Britain, UK Home Secretary Douglas Hurd said.

Columbia held up

The landing of the US space shuttle Columbia was delayed for a day by bad visibility at Cape Canaveral.

Two top Alusuisse officials to resign

ALUSUISSE, Swiss aluminium group, said its chairman and chief executive officer would resign within the next few weeks. The shake-up follows unconfirmed reports that the company had suffered large losses in 1985 and may have to make substantial write-downs in its assets. Page 20



GOLD rose sharply in the London bullion market yesterday but finished some way below the day's highs on profit-taking. It opened at $351 to $351¾ and rose to a high of $378 to $379. The morning and afternoon fixings were prolonged in view of the renewed interest in gold and it closed at $361 to $363, a rise of $15¾. Despite an afternoon retreat from the day's highs, sentiment remained bullish and dealers were confident that the metal would move higher, having touched an 18-month high during the day. In New York the Comex February settlement, was $357.6. Page 38

WALL STREET: The Dow Jones industrial average closed 14.34 up at 1,541.63. Page 46

TOKYO: Blue chip electricals and export-oriented stocks led a rally with the Nikkei average rising 98.53 to 13,027.13. Page 46

LONDON: Political and interest rate uncertainties frustrated a rally that left the FT Ordinary index only 3.6 higher at 1,113.2. The FT-SE 100 firmed 4.0 to 1,394.5. Gilts held on to some of their early gains. Page 46

SYDNEY: Mines dominated a record-breaking session that took the All-Ordinaries 10.4 higher to a peak 1,060.9. Page 46

DOLLAR was slightly firmer in London, rising to DM 2.466 (DM 2.4625), SFr 2.084 (SFr 2.082) and FFr 7.57 (FFr 7.555). It was unchanged at Y202.35. On Bank of England figures the dollar's exchange rate index was unchanged at 125.9. Page 39

STERLING was weaker in London, losing 35 points against the dollar to $1.4385. It also fell to DM 3.5475 (DM 3.55), SFr 2.9975 (SFr 3.0025), FFr 10.89 (FFr 10.895) and Y291.0 (Y291.75). The pound's exchange rate index was unchanged at 78.0. Page 39

SWEDISH central bank cut discount rate from 10½ per cent to 9½ per cent in an anti-inflationary move intended to encourage trade unions to accept modest wage rises in current pay talks. Page 3

US INDUSTRIAL output increased 0.7 per cent in December, the Federal Reserve Board reported. Page 7

G. D. SEARLE, US drugs company, is to pull out of drug research in the UK with the loss of 300 jobs at High Wycombe, north-west of London. Page 11

PORSCHE, West German sports car maker, is pressing ahead with plans to enter the aero-engine market after a successful round-the-world flight by a light aircraft powered by a prototype Porsche engine, chief executive Peter Schutz said.

BRITISH & Commonwealth Shipping, diversified transport and financial services group, is putting nearly £28m ($40m) into a new commodity trading venture managed by three former executives of Phibro Salomon, the large US commodities and investment banking group. Page 11

Hanson Trust says it holds 15% of Westland shares

BY LIONEL BARBER IN LONDON

HANSON TRUST, the UK industrial conglomerate, emerged yesterday as the mystery buyer of shares in the Westland Helicopter company.

Hanson announced that it held almost 15 per cent of Westland ahead of today's extraordinary general meeting of shareholders in London, called to vote on the Sikorsky/Fiat rescue plan favoured by the Westland board.

Hanson declined to say which way it intended to vote at the meeting, which is expected to attract up to 4,000 shareholders. However, Westland's merchant bank adviser, Lazard Brothers, said it was "enormously encouraged" by Hanson's declared shareholding.

The vote at today's meeting is expected to be a cliff-hanger. The Westland board requires a 75 per cent majority to secure approval of the rescue plan put forward by Sikorsky, the US helicopter maker, and Fiat of Italy. The European aerospace consortium said yesterday that it was "pretty confident" that it could count on 27-28 per cent of shareholders' vote, enough to block the plan.

Sir John Cuckney, Westland's chairman, has said that he has "a number of contigency plans" if today's vote on the Sikorsky/Fiat rescue fails. The options include a restructuring of the rescue plan so that it takes the form of ordinary resolutions which require only a 50 per cent majority to succeed.

If the board fails to secure the 75 per cent majority today, the capital reconstruction plan that has been agreed with Westland's bankers is no longer legally binding. A new agreement with the banks would therefore be required, Lazard confirmed yesterday.

The late entry of Hanson Trust into the Westland controversy caused surprise in the City of London. Hanson launched a £1.8bn ($2.59bn) hostile takeover bid for Imperial Group, the brewing and cigarette business, last month and it has only recently emerged successful from a $930m battle for control of SCM, the US chemicals-to-typewriters business.

Lord Hanson, the 63-year-old chairman of Hanson Trust, is an outspoken critic of government intervention in industry and an admirer of Mrs Thatcher, the British Prime Minister, who has said that the decision on the rival rescue plans is a matter for the Westland board and its shareholders.

In a letter to Sir John Cuckney, Lord Hanson said that the share purchases were made without Sir John's knowledge. The letter ended: "With very best wishes for your endeavours. Sincerely. James."

Lord Hanson explained in the letter that the share purchase was a long-term investment, designed to strengthen the links between one of his subsidiary companies, Air Hanson, which enjoys operational links with Westland and Sikorsky.

Air Hanson operates a small fleet of helicopters used for transporting Hanson Trust executives and other businessmen. It also services helicopters.

Last year, Lord Hanson held talks with the former chairman of Westland, Sir Basil Blackwell, who at that time was searching for "white knight" designed to fend off a hostile £89m UK consortium bid led by Mr Alan Bristow, the former helicopter operator who now owns a near 15 per cent stake in Westland.

Sir Basil said yesterday: "I met Lord Hanson for half an hour and he was very courteous. But we came to the conclusion that to have

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News analysis; Conflict over Brittan role, Page 10; Politics Today, Page 19; Lex, Page 20

Moscow suggests ban on missiles in Europe

By William Dullforce in Geneva

THE SOVIET UNION has opened up a new angle in the nuclear arms control talks by proposing that all US and Soviet missiles be removed from Europe during the first stage of a 15-year plan to free the world of nuclear weapons, Mr Viktor Karpov, the chief Soviet arms negotiator, indicated in Geneva yesterday.

It was a new proposal, Mr Karpov told reporters before he formally submitted to the US negotiators the nuclear arms elimination plan outlined by Mr Mikhail Gorbachev, the Soviet leader, in Moscow on Wednesday.

Mr Karpov contrasted the proposal with earlier suggestions discussed in the Geneva negotiations for an interim agreement on intermediate-range nuclear forces – US cruise and Pershing missiles and Soviet SS 20 launchers – in Europe.

The interim agreement, it had been suggested, could be reached without being tied to the shelving of President Ronald Reagan's Strategic Defence Initiative (SDI), Star Wars programme, on which Moscow has been insisting.

Mr Karpov did not say explicitly yesterday that the new proposal for eliminating US and Soviet missiles in Europe might also be divorced from any linkage with the Star Wars programme. But the implication remained.

The elimination of the US and Soviet missiles in Europe would be part of the first stage in which a 50 per cent reduction in nuclear weapons worldwide would be the most important element, Mr Karpov said.

Last autumn the talks in Geneva about intermediate missiles in Europe focused on a halt to or partial reversal of, the deployment of US missiles in return for a reduction in the number of Soviet launchers within range of Europe.

The discussions foundered over the number of missiles regarded as acceptable by each side and over the Soviet position that British and French nuclear missiles had to be included in the count.

Mr Karpov referred yesterday to "an obligation on the part of Britain and France as Nato countries not to have more weapons than they have now."

He appeared to be implying that, apart from the obligation to freeze present nuclear force levels, the question of the British and French missiles might be postponed to a later stage of the plan.

The clues offered by Mr Karpov in his brief exchange with journalists could not be clarified before the

Continued on Page 20

Italy imposes credit package to defend lira

BY PHILIP STEPHENS IN LONDON

THE ITALIAN Government last night introduced a package of temporary measures aimed at reversing speculation on foreign exchange markets against the lira.

The package includes strict limits on bank credit for the first six months of this year, a requirement on exporters to deposit in advance 75 per cent of their foreign currency receipts, and higher short-term interest rates.

It follows what the authorities called a serious drain on Italy's foreign exchange reserves as a result of speculation that the Government could be forced to devalue the lira within the European Mnoetary System (EMS).

The Treasury and Bank of Italy both made it clear in separate communiqués yesterday that the measures are regarded as temporary and not a reversal of the official policy towards the liberalisation of financial markets.

But the move reflects the authorities's determination to defend what they referred to as the lira's "realistic and appropriate" rate within the EMS.

The Italian currency was devalued within the EMS by 8 per cent last July but the sharp fall in the value of the dollar in recent months has brought renewed speculation on foreign exchange markets of another EMS realignment.

The Treasury, however, said that last July's devaluation had been sufficient to restore Italy's competitiveness and the speculation was not justified by economic fundamentals.

It said that the country's current account deficit in 1985 had fallen to around 1 per cent of gross domestic product, while the Government was on course to bring annual inflation down to 6 per cent this year.

The speculation against the lira was reflected in a surge in bank lending during the last two months of 1985. Credit was growing by an annual 40 per cent during the two months compared to the 10 per cent regarded by the authorities as a normal figure.

The new controls on credit, which will apply initially for six months, mean that the stock of bank lending at the end of January should not exceed by more than 8 per cent the average level at end-September and end-October last year.

For the following two months, the permitted increase will be reduced to 6 per cent above the September and October levels; in April it will be 7 per cent and in May and June 6 per cent. Banks exceeding the limits will be obliged to lodge non-interest bearing deposits with the Bank of Italy.

G5 talks 'will not bring rate cuts,' Page 20

EEC reforms in balance after Strasbourg vote

BY QUENTIN PEEL IN STRASBOURG

THE EUROPEAN PARLIAMENT last night backed away from outright rejection of EEC reforms agreed by 10 of the 12 member states – but still left its verdict ambiguous and the final result in the balance.

The decision of the 518-strong assembly, after a last-minute plea from Mr Hans van den Broek, the Dutch Foreign Minister, and President of the EEC Council of Ministers, should clear another obstacle from the path towards amendment of the Community's founding Treaty of Rome.

However, the fate of the reforms approved by EEC leaders at their summit in Luxembourg last month now depends on Italy and Denmark, the two member states yet to lift their reservations.

The package is intended to streamline EEC decision-making, reinforce political co-operation between the member states, and give a bigger role to the Parliament.

The Italian Government has made its final acceptance of the reforms, which it regards as too feeble, conditional on the opinion of the MEPs and the Italian Parliament. The Italian members remain those most fiercely opposed.

Denmark, worried that the reforms are too radical in increasing the power of European institutions, looks set to hold a national referendum before coming to a final decision.

Mr Van den Broek yesterday tacitly accepted that the planned signature date of January 27 would have to be put off, but he warned the MEPs that a negative judgment would provide "a most unwelcome boost to Euro-pessimism." If Italy and Denmark maintain their veto, a "tragic situation" would result, he said.

He insisted, however, that he still expected their reservations to be dropped and the package to be signed at an early meeting of EEC foreign ministers. All the national parliaments must then ratify the deal

The Dutch Foreign Minister, while expressing his own disappointment at the modesty of the final reform package, warned that eventually 10 or 11 member states might get together and sign, to step up the pressure on the others.

Danish opposition warning, Page 2

OECD warning over stability of dollar

BY DAVID MARSH IN PARIS

THE WORSENING international investment position of the US risks starting a decline in the dollar which could send a deflationary shudder through the world economy, the Organisation for Economic Co-operation and Development (OECD) warns in a report on the US economy published today.

The OECD Secretariat says the US, three years into economic recovery, is likely to register moderate real growth in gross national product of 2.75 per cent this year, up from 2.5 per cent last year but below the latest Administration forecasts of 3 to 3.5 per cent for the year to October 1986.

Stepping up calls for actioo to reduce burgeoning US deficits in the federal budget and on the current account, the OECD says these imbalances are attracting large flows of foreign capital into the US at a rate which is unlikely to be sustainable.

The report, which was finalised before President Rooald Reagan approved reformed budget procedures last month aiming at speeding cuts under the Gramm-Rudman Act, says "overall, decisive, credible action to reduce the federal budget deficit over the medium-term should be a key objective of policy."

The Secretariat says the September Group of Five agreement designed to bring about an orderly fall in the dollar has probably "significantly reduced" the prospect of a delayed correction and subsequent collapse of US currency.

None the less, it points to the dangers connected with the US

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GTE writes off $1.3bn and joins venture with Siemens

BY TERRY DODSWORTH IN NEW YORK

GTE, the US telecommunications group, is to take a $1.3bn write-off in the fourth quarter as the result of a sweeping reorganisation involving new partnership agreements with Siemens of West Germany and United Telecommunications of the US.

The write-off reflects the cost the company is paying to abandon a go-it-alone strategy in the two major markets of long-distance communications and advanced digital telecommunications network equipment. As a result of the action, GTE will be pushed into loss for 1985 after making net profits of $848m in the first nine month and a little over $1bn in 1984.

Mr Theodore Brophy, chairman and chief executive of GTE, said yesterday that the joint ventures would have no detrimental effect on dividend policies and would result in improved future cash flow. "When the two joint ventures are completed, along with the related repositionings, GTE will be better prepared to compete and grow in our three core global businesses: telecommunications, lighting and precision materials," he said.

Under the terms of the long-distance communications agreement, GTE is to combine its GTE Sprint unit with its new partner's US Telecom business, consolidating its position as the third largest supplier of long-distance capacity in the US.

Sprint already has about 4 per cent of this $50bn-a-year market and although United Telecommunications has less than 1 per cent it is committed to a rapid $1bn expansion of its present fibre-optic network.

The agreement between GTE and United is a further step in the restructuring of the US long-distance telephone market after the break-up of AT&T under the US anti-trust regulations three years ago. AT&T still dominates the business with a market share of about 80 per cent, followed by MCI Communications, which has about 7.5 per cent and recently linked up with IBM'a SBS unit.

GTE has found it prohibitively expensive to break into the market, spending about $2.5bn on acquiring and expanding Sprint, which ran up an operating loss of $191m last year. But by linking with United it will be able to spread the costs of investment in a new fibre-optics network.

In addition, GTE and United are combining their computer data transmission services, GTE Telenet and Uninet, in a move that will create the dominant carrier in the business.

The agreement with Siemens brings together two of the world's leading manufacturers of advanced telephone switching systems at a time when the US market for telephone exchange equipment is expanding rapidly. Analysts see the deal as en attempt to match up GTE's expertise in the US market – where standards differ widely from those in Western Europe – with Siemens' technology.

The switching and transmission equipment market in the US is also dominated by AT&T, followed by Northern Telecom of Canada and GTE.

CONTENTS

Opposition warning on Danish referendum

By Hilary Barnes in Copenhagen

THE REFERENDUM which the Danish Government plans to call to seek approval for the EEC reform package must not become a vote on membership of the Community, says the opposition Social Democratic Party.

Mr Ivar Noergaard, the party's EEC affairs spokesman, said yesterday: "It would be extremely foolhardy of the Government to push this line of argument. It could have tragic consequences. The referendum will only be seen as a 'yes' or 'no' to membership if supporters of the reforms present it in this way."

The crisis has arisen because Mr Poul Schlueter's minority non-Socialist coalition need the Social Democrats to obtain a majority in the Folketing (Parliament) for signing the reform agreement, negotiated by the EEC heads of government in Luxembourg last month.

The Social Democrats object to the proposals on the grounds that they give increased influence to the European Parliament, and may prevent Denmark from giving measures to protect the environment precedence over those designed to remove technical barriers to trade.

Mr Noergaard pointed out yesterday that paragraph 236 in the Rome Treaty states that treaty changes can only be made unanimously. "We have the same right to say 'no' to treaty changes as other countries, including the big countries."

Danish opponents of EEC membership have always said they fear Denmark will not be able to assert its voice against those of the big countries.

"The opponents will be proved right if the other members begin to threaten us and say we cannot decide because we are small," said Mr Noergaard. "If they really kick out at a small country for standing up for its rights, then most Danes will say that we are in the wrong company."

Although the reform issue is an important one, be doubted whether it is so important that the other countries will ignore the Danish stand (assuming the referendum rejects the reforms) and he did not see how the other 11 could bypass Denmark.

Geoffrey Owen analyses the case against increasing the Community's external barriers to manufactured goods

Greater EEC protection 'likely to delay industrial adjustment'

The governments of the European Community agree, at least in principle, on the need to remove internal barriers to trade. There is an influential body of opinion, especially in France, which wants to combine this policy with greater external protection at the Community level.

The argument is that this twin-track approach will provide European industry with the competitive stimulus that comes from a greatly enlarged home market, while protecting it from countries whose cost structures and social systems are wholly different from those of Europe. Protection at the EEC level it is suggested, will facilitate both the necessary adjustment of older industries like steel and textiles and the hoped-for growth of newer sectors like electronics.

Both the economic rationale and the political flexibility of this approach are strongly questioned in a study published today by the Royal Institute of International Affairs. Differences of view among member states, the study suggests, are likely to rule out any concerted shift towards greater EEC protection.

Nevertheless, some piecemeal moves have been made in this direction; the increase in tariffs on compact disc players is one example. The view that Europe, however efficient it becomes, will never be able to compete with countries like Japan, South Korea and Taiwan is widely held.

The authors of the study accept that shifts in comparative advantages can sometimes be disruptive and that temporary assistance for the affected industry may be needed.

The textile industry was a case in point, but the adjustment problem which that industry faced certainly did not justify either continuing public subsidies or the "semi-permanent character which the Multi Fibre Arrangement has acquired."

> It is sometimes argued that European companies in high-technology sectors need support and protection during their "infant" stage if they are to achieve the economies of scale needed for international competition. The authors, however, say this argument can only be justified if the company developing the new product is unable to "internalise" the benefits from the investment.

The great danger with protection is that it is more likely to delay adjustment than to stimulate it. In the European car industry, for example, there are too many producers struggling for a viable share of the high-volume market.

Parts of the industry, particularly in Italy, France and the UK, are already protected to some extent from Japanese competition. It is not clear how an extension of protection to a Community level — leaving aside the question of retaliation — would induce the rationalisation of the industry which is needed.

In high-technology sectors, it is sometimes argued that European companies need support and protection during their "infant" stage if they are ever to achieve the economies of scale needed for international competitiveness.

The authors say that infant-industry arguments can only be justified if the company developing the new product is unable for one reason or another to "internalise" the full benefits from the investment.

This does not apply to Philips' compact disc player, where the protection given is questionable on economic and legal grounds.

A rather better example is the Airbus, where subsidy and preferential procurement (in France and Germany) created the basis for an attack on world markets which in terms of sales has been relatively successful. But even if the Airbus ultimately achieves a respectable return on the taxpayers' investment, it is doubtful whether governments can use this experience as a model for other high-technology ventures.

To do so would require them to identify projects which, although unable to attract funds from the market, will in the long run yield important benefits for Europe. Governments are not good at picking winners.

The authors conclude that the development of a European industrial base must be a matter for companies rather than governments. While financial incentives to encourage collaboration between companies can be helpful, they are far less important than the removal of internal barriers within the Community.

The authors point to two further steps which are needed.

One is a more consistent competition policy based on the realities of the world market. The ruling by the German cartel office in the Grundig-Thomson case, for example, was based on too narrow a view of the national market; given an open trading policy, a high degree of concentration in the European market may be acceptable and even desirable in some industries.

The other is a common approach to incentives for inward investment, to prevent foreign companies playing one Community partner off against another.

Protection and Industrial Policy in Europe, by Joan Pearce and John Sutton, with Roy Batchelor. Routledge & Kegan Paul, £16.00.

Turkey considers making lira fully convertible

BY DAVID BARCHARD IN ANKARA

TURKEY'S GOVERNMENT is contemplating moving towards full convertibility of the lira in the second half of the year despite an inflation rate of 43 per cent in 1985. But opinion appears divided about how far and how fast the process should go.

"The benefits of convertibility would be tremendous," says a top official. "Once we become convertible, I believe the rate of inflow of foreign investment to Turkey will double or treble."

Mr Turgut Ozal's Government wants to speed up the inflow of foreign capital as domestic savings and private investment have languished over the past seven years. "Unless investment picks up, the recovery will gradually slow down," he warns.

Only $96m flowed into Turkey in foreign investment in 1984 and the Government's target for 1985 was around $150m, making very little difference to the overall balance of payments.

Government officials believe convertibility would reassure potential investors. "Convertibility is the best guarantee for them," says one, discounting claims that it would disturb the money markets seriously.

Turkey already has an embryonic futures market in foreign currency, he says, and the volume of transactions is growing steadily. Funds have started to flow from both West German accounts belonging to migrant workers and Swiss accounts held by wealthy Turks.

"I don't foresee a flow out of the country. The more liberal we become, the more money will flow in. You don't need a reserve of foreign currency if you have a reserve of confidence," he says.

An economics professor who is a staunch supporter of the trade liberalisation programme disputes this however. "There is not convertibility in the full sense at present," he says, pointing out that although ordinary Turks can buy foreign currency in batches of $1,000, in practice banks tend to put restrictions in their way.

"Real interest rates would have to be even higher and you would need to calculate the forward value of the lira. No one can guess what the market equilibrium rate of the lira would be, while inflation remains around 40 per cent or more," he says.

However, a central bank official said he was more worried about the problems a capital inflow would cause if Turkey had full convertibility.

Spain expected to announce Israel link

By Tom Burns in Madrid

SPAIN has braced itself for an Arab backlash over its decision to extend formal diplomatic relations to Israel. The exchange of ambassadors is likely to be announced today although this was not confirmed by officials who cited security reasons.

Arab ambassadors here were notified a week ago by Mr Francisco Fernandez Ordonez, the Foreign Minister, that relations with Israel would be established within the first six months of this year. An immediate consequence was a decision by the secretary general of the Arab League, Mr Chadli Klibi, to call off a visit to Spain planned for later this month.

Mr Fernandez Ordonez's briefing has provoked widespread unfavourable comments in Arab media. The pro-Government Tunisian newspaper La Presse termed Madrid's decision a "betrayal" of Spain's traditional policy of friendship with the Arab world.

Officials said yesterday that the exchange of ambassadors would be accompanied by a gesture towards the Palestine Liberation Organisation which has a representative in Madrid. This could involve upgrading the Palestine status in Spain.

W. Germans spend DM 500m more abroad

BY JONATHAN CARR IN FRANKFURT

WEST GERMANY'S payments deficit on foreign tourism rose by about DM 500m (£140m) to DM 24.5bn (£6.9bn) in 1985 and is likely to increase sharply in future, the Bundesbank said in its latest monthly report released today.

While West Germans raised their spending on holidays abroad by 6 per cent to DM 42bn, foreigners — especially Americans—boosted spending in West Germany by 12 per cent to DM 17.5bn.

The resulting deficit for the West Germans is below the record level of DM 26.2bn of 1982, but far above the figures of the early 1970s when the tourist balance was less than DM 10bn in the red.

The central bank comments that after a period of stagnation West German spending on holidays abroad picked up from mid-1984, thanks to improving economic conditions at home.

It adds that the trend is likely to intensify, thanks to high real incomes, more free time and the growing number of people with jobs (despite an unemployment level still averaging well over 2m).

The Bundesbank's analysis indicates that despite its record visible trade performance, West Germany's current account (visible and invisible transactions together) may start to show a smaller surplus before long.

Last year's tourism deficit of DM 24.5bn is alone equal to about one third of the country's visible trade surplus of more than DM 72bn. West Germany also has big deficits on other "invisible" transactions such as payments to the EEC budget and transfers home by foreign workers here, but exact figures have not yet been announced.

This year the D-mark is expected to strengthen, not least against the US dollar. It is felt that this may partly depress visible exports, somewhat discourage foreign tourist visits here—and encourage West Germans to travel still more abroad.

Leap in Yugoslav prices likely

BY ALEKSANDAR LEBL IN BELGRADE

OFFICIAL talk of the possibility of price freezes this year has spurred Yugoslav companies to make "pre-emptive" increases in their prices, Mr Janez Zemljaric, vice-Premier responsible for economic policy, yesterday told the central committee of the ruling League of Communists.

As a result, most officials and economists now expect prices to rise 8 per cent or more this month alone. This runs far counter to the Government's goal of reducing the average monthly price increase to 3 per cent this year, and the year-on-year increase to around 40 per cent. Compared with December 1984, wholesale prices last month stood 81.3 per cent higher and retail prices 79.5 per cent higher.

Despite surging inflation, the trend since 1980 of falling real wages was last year reversed, with pay increases outstripping the rise in prices by an average of 1 per cent. The prospect of ever-higher prices and also of reduced interest rates on consumer credit has induced an unprecedented buying spree. Shop and factory inventories, which had risen for most of last year, started to drop quite sharply in the last quarter of 1985.

According to new official figures, Yugoslavia's equivalent of gross national product rose only 0.2 per cent last year, with a 2.7 per cent increase in industrial output being largely offset by an 8 per cent decline in agricultural production.

At the same time, employment in industry rose 3.2 per cent, so that productivity per worker declined 0.5 per cent. Exports rose 7 per cent to $10.65bn and imports increased 5 per cent to $12.1bn.

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EUROPEAN NEWS

IG Metall opens tough wage bargaining round

BY RUPERT CORNWELL IN BONN

IG METALL, the West German engineering union, yesterday lifted the curtain on what promises to be a tough and highly-politicised 1986 pay bargaining round by demanding a new national labour contract guaranteeing increases of between 6 and 7.5 per cent.

The union, with over 2.5m members, is the country's largest and most militant. It led the fierce 1984 campaign for a shorter working week, and is in the forefront of the current union battle to make the centre-right coalition back down from its plans to stiffen West Germany's existing strike laws.

Its current contract, agreed only after a seven-week strike in support of shorter hours in June 1984, expires at the end of March. The new demand has deliberately been divorced from the sensitive hours issue—a 1½ hour reduction in the working week was agreed last year.

Mr Hans Mayr, the head of IG Metall, said that the 38.5 hour working week deal, which runs until September 30, would be terminated "some time before the end of the year."

The delay is plainly designed to allow the unions to press their argument that only further deep cuts in the working week will create new jobs.

Mr Hans Janssen, IG Metall's chief wage negotiator, warned that the pay round would be "anything but easy," while Government ministers argued that excessive settlements will throw plans for future tax cuts into jeopardy.

According to Mr Janssen, the demand is justified by a rise in engineering industry profits in 1984, despite the strike, by 45 per cent to DM 45bn (£12.6bn). The increase requested was tailored to cover inflation of 2 per cent, productivity gains of 3 per cent, and a profit-sharing element of between 1 and 2.5 per cent.

There was no immediate reaction yesterday from engineering employers, but their opening offer is unlikely to top 4 per cent.

Former partner of SMH jailed on fraud charge

BY JONATHAN CARR IN FRANKFURT

THE FIRST sentences were handed down yesterday on three defendants in a trial stemming from one of West Germany's biggest postwar banking scandals.

Mr Wolfgang Stryj, a former partner of Schroeder, Muenchmeyer, Hengst (SMH) — a private bank which nearly collapsed in late 1983 after overlending—was given a jail term of two years and three months.

Mr Hans-Hermann Muenchmeyer, another former partner, was given one year nine months and Mr Ralf-Rene Lucius, a former senior employee, one year. Both these sentences were suspended.

Mr Muenchmeyer and Mr Lucius were also ordered to pay DM 10,000 (£2,800) and DM 3,000 respectively to an international organisation aiming to help under-privileged children.

The two former partners were found guilty of fraud and Mr Lucius of aiding and abetting, in connection with SMH's links to IBH, a tottering building machinery group which finally went bankrupt.

SMH lent to the IBH group beyond the limits allowed under credit law, and was saved from a crash only by other West German banks in a rescue operation costing more than DM 800m.

Yesterday's sentences were somewhat below those demanded by the prosecution.

The second phase of the trial, expected to last much longer, starts next Thursday. The former senior partner of SMH, Count Ferdinand von Galen, and a fourth partner, Mr Hans Lampert, will then be facing the court.

Sweden lowers discount rate

By Kevin Done, Nordic Correspondent in Stockholm

SWEDEN yesterday lowered the discount rate from 10.5 per cent to 9.5 per cent and Mr Bengt Dennis, governor of the Riksbank, the central bank, said the move should signal that general interest levels in Sweden had fallen. The move was expected in the wake of last week's budget.

The discount rate has remained unchanged in Sweden since July last year, despite the fact that the central bank has allowed successive falls in money market and bond rates. Money market rates have fallen by some three percentage points and bond rates by one percentage point since mid-July.

The Riksbank was forced to push up interest rates sharply in May last year to cope with a crisis of confidence in the Swedish krona, but Mr Dennis said there had been a cumulative growth of confidence in recent months which had allowed the successive easing of rates since the summer.

The flow of capital into Sweden has been virtually unbroken since rates were first raised in May last year, and Mr Dennis said there had been a further inflow of SKr 1.8bn (£156m) in the past week.

A cut in the discount rate had been delayed since late November because the impending budget had created nervousness in the markets. The budget had succeeded, however, in easing the excessive burden that had previously had to be carried by monetary policy.

The gradual easing of market rates in Sweden has virtually halved the gap between Swedish and Euro-dollar rates created by last May's crisis package from eight percentage points to around four points.

Mr Dennis said that the strength of the Krona had been helped by both the fall in the dollar and the improvement in the current account of the balance of payments in the second half of 1985.

The discount rate had less importance as an instrument of monetary policy and yesterday's lowering effectively decouples it from the sliding scale of interest rates introduced by the Riksbank late last year as an instrument for guiding money market rates.

DEREGULATION AND INCREASED COMPETITION STRESSED

French Right unveils poll platform

BY DAVID HOUSEGO IN PARIS

THE FRENCH opposition parties in their election programme announced yesterday, start by condemning the Socialist Government for allowing French economic growth to fall one percentage point behind the European average.

To improve France's economic performance, the neo-Gaullist RPR and the centrist UDF parties put the emphasis on the conservative virtues of deregulation, increased competition, lower taxation, denationalisation and more labour flexibility.

The most controversial part of their programme will be the proposals for diminishing the power of the unions and abolishing the requirement for companies to obtain state approval before declaring redundancies. On the other hand, the right wing has backed away from removing the statutory minimum wage, or from outright cuts in the social security budget. They have also toned down their initial plans for tightening immigration controls.

Companies would no longer be required to repatriate their foreign exchange earnings and the restrictions on companies covering forward their import purchases would also be abolished immediately.

The two parties promise further deregulation of the banking system, beginning with a statute to enhance the autonomy of the Bank of France (the central bank). Banks will be allowed to compete in their deposit and lending rates, and bonds and shares will be subject to the same tax treatment, the document says. This implies the abolition of the current 25 per cent tax relief on interest payments on bonds.

Within the public sector, the opposition promises to restore competition between the state-owned railways (the SNCF) and other forms of transport. It also says its will open up to competition telecommunications links between companies, on international circuits and in new services.

Denationalisation: The programme promises that a framework law will be put through "without delay," covering "the banks and financial holding companies, the insurance groups, the radio and television sector, the major industrial companies and the shedding of other state shareholdings where a buyer can be found."

Eventually, all competitive industries should be privatised, the document says, thus implicity including Renault. Privatisation will take a wide variety of forms including an "opening up to foreign investment while respecting the regulations applicable to it." A consultative commission is to be set up to ensure that privatisation is carried out in conditions of "transparency and impartiality," and the document says that public works programmes and the administration of some public services will also be opened up to private finance and contractors.

Macro-economic policy: The key plank is a "year by year reduction" in the share of public expenditure in the national wealth. The objective is that public debt should no longer grow faster than national wealth.

Reflecting divisions within the opposition, the document says that the exact mix between cutting taxes and the budget deficit in the 1987 budget will depend on the economic circumstances at the time. But the opposition envisages a cut in public spending in 1987 of 1 per cent of GNP—equivalent to about FFr 40bn.

This would permit some reduction in the budget deficit; cuts in the *tax professionelle* (a type of payroll tax) on companies and reductions in companies' social security payments; an initial cut in income tax reducing the maximum rate to 60 per cent; and the abolition of wealth tax.

Labour flexibility: The document categorically states that the requirement that all company redundancies have prior government approval will be ended. But it is more cautious over the unions' current "monopoly" in representing employees in negotiations, favouring plant-level wage negotiations, without being more precise.

Social security: The opposition says that the system is increasingly threatened by large deficits. But the main proposal it makes is for complementary private pension funds to be created alongside the state system.

Immigration: The programme calls for tighter control on illegal immigration and says that the acquisition of nationality should not be an automatic process. But proposals that would have prevented immigrants benefiting from new allowances to encourage French families to have a third child have been dropped.

Press and television: The new Government would divest the state of three television channels leaving only a single channel reserved for cultural and education programmes and on which there would be no advertising. The 1984 law placing limits on newspaper ownership would be abolished.

THE LATEST public opinion poll published yesterday gave support to the Right's ambitions by showing that on present voting intentions the neo-Gaullist RPR and the centrist UDF would have an absolute majority of 91 seats in the new National Assembly, writes David Housego.

The electoral programme repeats the pledge of the two parties to govern together if they have a majority and to refuse a coalition with other movements. Mr Jacques Chirac (right), the leader of the RPR, said in launching the programme yesterday that the Socialists had no chance of a majority and their sole objective was to prevent the right from governing.

Mr Chirac rebutted charges yesterday that the opposition has watered down its proposals to offset Socialist charges that the right was bringing to a Thatcher or Reagan style of "savage liberalism."

But the opposition has trodden carefully in its policies over cuts in social security spending and the abolition of the minimal wage

Polish steel workers suggest reforms

By Christopher Bobinski in Warsaw

A LONG and bitter dispute within the Polish Government between supporters of decentralising reforms and the conservative Steel Ministry arguing for a reorganisation of its industry into one giant concern has taken a new turn.

The freely elected workers' councils at the Warsaw steelworks and the Batory works in Katowice, working with councils from four other steel enterprises, have proposed that an association of companies within the industry be set up to co-ordinate development and with it a bank to finance investment.

This is the first grass-roots initiative of its kind in Poland and will be put to the Steel Minister as well as to a meeting of councils. The workers councils were set up under the reforms and have an equal say with management on important decisions such as mergers and reorganisations.

The Warsaw steelworkers council has already rejected the ministry's integration plans which are seen as opening the way to similar actions in other industries.

The association proposed by the Warsaw council differs from the ministry's scheme in that it would retain company independence.

Reformers in the Government have managed to block the Steel Ministry's scheme, which should have come into effect on January 1. They argued that the ministry was setting up a monopoly which would be able to demand budget subsidies on its own terms.

Kohl and Mitterrand to step up military co-operation

BY RUPERT CORNWELL IN BONN

CHANCELLOR Helmut Kohl and President Francois Mitterand yesterday kicked off what is billed as a "major year for Franco-German relations" with a promise to intensify military co-operation between the two countries — including more joint manoeuvres and the joint training of promising staff officers.

The two leaders, who in 1985 alone met 10 times held talks during a visit by the West German Chancellor to the French military headquarters in West Germany at Baden-Baden. Mr Kohl will also make similar trips to review British and US units in the country later this year, accompanied by Mrs Thatcher and Mr Casper Weinberger, the US Defence Secretary, respectively.

Yesterday's meeting was to help prepare the next regular consultations between Mr Kohl and Mr Mitterrand, scheduled for Paris at the end of February.

One key military project likely to be examined in detail then is collaboration on a joint anti-missile defence system, to protect not only West German installations but also French nuclear bases, to help guarantee their ability to retaliate to enemy attack.

The French President yesterday affirmed his support for an established consultation mechanism to work out a response to an attack on West German territory. But he stressed that any decision to use French nuclear weapons belonged to a French president alone.

One item apparently not discussed was the vexed topic of an early West German commitment to the French Hermes space shuttle project. But Mr Mitterrand left no doubt clear that he would be seeking a firm go-ahead by Bonn when the two meet again next month.

OVERSEAS NEWS

Pretoria blockade breaks Lesotho resistance

BY ANTHONY ROBINSON IN JOHANNESBURG

THE TINY landlocked kingdom of Lesotho is bearing the brunt of a renewed South African Government offensive against the banned African National Congress (ANC).

Angered by e recent series of landmine explosions in border areas and noting tha ANC's decision to escalate its military and political offensive against the Republic, Pretoria appears determined to use a combination of military might and trade dominance to force not only Lesotho but the other stetes in the region to deny facilities to ANC guerrillas.

So far both Mozamibque and Swaziland heve signed non-eggression pacts with Pretoria and pressure is mounting on Botswana, Zimhabwe and Lesotho to do the samc.

The economic hlockade mounted against the government of Chief Leahua Jouathan provides graphic evidence of the lengths to which South Africa, in its new mood, is prepared to go to secure such agreement.

As the pressure mounted, leaving Maseru short of essential supplies, indications cama that the Government was preparing to back down on its long standing refusal to discuss a non-aggression pact.

The uneasy relationship between the two countries goes back to 1966, when it was South Africa which ensured Chief Jonathan's victory in the first elections after tha former British protectorate of Basutoland gained independence.

It was the first and so far only election. In 1970 when chief Jonathan's Basutoland Netional Party was heading for electoral defeet, he declared the election void, Introduced a stete of emergency and suspended the constitution.

However, in an epparent attempt to counter accusations by the fragmented internal opposition parties and other African states that he was a stooge of Pretoria, Chief Jonathan has thus far resisted South African demands for a security pact.

Lesotho continues to insist that it does not harbour ANC activists but merely offers refugo to opponents of apartheid.

South Africa has increasingly been prepared to exercise its military muscle in the region, hitting alleged ANC targets in Mozamhique (until the March 1984 pact), Botswana and Lesotho itself.

In Decemher 1982, its commandos launched e raid on Maseru which killed 42 of which 30 were ANC exiles and 12 Lesotho nationals.

Last month in e similar raid, for which Pretoria denies responsibility, five ANC activists and four others were killed.

Maseru claims that South Africa is elso behind the Lesotho Liberation Army (LLA) which has claimed responsibility for a series of explosions and assassinations in recent years.

Senior officials from South Africa and Lesotho are due to meet in Pretoria today or Monday to discuss the formation of a joint frontier security commission. Until agreement is reached on the new commission South Africa is expected to continue strict security checks at border posts, which amounts to a virtual economic blockade of the country. The Lesothe capital Maseru was reported to be tense but calm yesterday after paramilitary forces surrounded government offices on Wednesday. Officials from the South African Foreign and Internal Ministries, the National Intelligence Commission, the South African Defence Force and the South African Police will take part in the talks with their counterparts from Lesotho. South Africa believes that the African National Congress (ANC) has made greater use of Lesotho as a transit route and refuge since the expulsion of ANC cadres from Mozambique in the wake of the March 1984 Nkomati accord between South Africa and Mozamibqne.

Last week Mr Pik Botha, the South African Foreign Minister, held talks with five Lesotho opposition laaders in Pretoria, who were arrested on their return to Maseru.

Against this beckground the surrounding of Lesotho's Government House by armed troops on Wednesdey was originally seen as an army hacked coup to topple Chief Jonathan, with tacit South African support.

Instead it appeers to have heen a show of atrength by the paramilitary force, engered by the sometimes anti-government stand of the youth wing of the ruling party which has received military training from North Koreans.

Pretoria's reason for mounting the blockade on January 1 was to search ell vehicles, ostensibly for weapons. With rail and road traffic blocked It took only two weeks for South Africa to bring the fragile economy to its knees as oil, medicine, food and other supplics dwindled or rotted in the long quenes at the border crossing points.

Had it wanted, Pretoria could also have cut off electricity supplies, entirely delivered from South African power stations, and repatriated the 139,000 Basutos legally working in South African mines.

It did not have to. On Wednesday Lesotho agreed to set up a joint security sub-committee. Reletions between the two countries are slready reguleted by a Customs Agreement, membership of the Rand Monetary Aree (RMA), end e liaison committee.

Having hrandished the stick it is now open to South Africa to offer o carrot. A R2.5bn (£757m) project to divert water from Lesotho to the Vall industrial triengle linked to an embitious hydro-electric scheme has been in abeyance for years failing agreement on the security treety demanded by Pretoria.

That obstacle is now about to disappear. If the Highlands Water scheme goes ahead Lesotho will goin jobs and revenue. But its dependence on South African goodwill will be cemented even further in the process.

Defeated Christian leader flies out of Lebanon

BY NORA BOUSTANY IN BEIRUT

THE DEFEATED Christian militia commander, Mr Elie Hobeika, fled Lebanon yesterday aboard a helicopter with his family and key aides as pro-Syrian militiamen pounded Christian mountain villages raising fears of renewed sectarian violence.

The surgical strike against Mr Hobeika by followers of Christian hardliner Mr Samir Geagea and members of the Phalange Party Wednesday underscored opposition to a Syrian-brokered peace pact aimed at ending a decade of civil war.

Syria's stand on the latest developments in the Christian camp and the damage done to a reconciliation and reform plan worked out with Mr Hobeika and Moslem militia commanders remained unknown. Members of the National Syrian Social Party, the Progressive Socialist Party, the Lebanese Communist Party and other local Syrian allies opened up on districts in the hilly Maten and Batroun region in the Christian enclave in retaliation to the setback to the Damascus accord.

Orders by Damascus to the leftist groups to retreat from mountain positions added to the confusion over the fate of the agreement and Syria's intentions. The Lebanese army moved columns of U.S.-made M-48 tanks, armoured personnel carriers, half tracks and jeeps to the upper Maten to reinforce defence lines which had come

Israeli jet fighters yesterday intercepted a Kuwaiti airliner over the strategic Golan Heights and escorted it from Israeli-controlled airspace, military officials told Reuter in Tel Aviv. They said that the aircraft, which had left from Damascus, was allowed to proceed after it had been "positively identified as a civilian aircraft that had strayed because of a navigation error."

under attack Wednesday and during the night.

In Christian-controlled East Beirut, observers raised the possibility of yet another power struggle between Mr Geagea and the Phalange Party, despite an appeal for Christian unity issued by the party.

At Mr Hobeika's gutted and blackened bunker, located within a complex of white-painted fortified buildings, followers of Mr Geagea, Mr Hobeika's chief of staff, explained how they carried out their attack. Still dazed from the fighting, one militiaman said he was not happy about what had happened "because we were fighting against friends," but Mr Hobeika had to be crushed.

"He was running a mafia and making concessions in our name after we had fought and lost 8,000 men over the last ten years to safeguard Christian rights," one militiaman said. He guided us through heaps of spent shell casings, blood-spattered pavements and shattered glass. The bearded gunman, slouching over a sandbagged position, pointed to a bullet-riddled five-storey building, which caught fire during the assault on Mr Hobeika and 200 of his men holed up in the seaside Karantina headquarters. "We were trapped on the upper floors and had to jump down from the windows," he added.

In the mountain resort town of Bickfaya, where the Lebanese President, Mr Amin Gemayel, huddled with commanders and advisers to monitor the crisis Wednesday, few residents ventured out in the streets to welcome Lebanese army soldiers heading for the new front at Douar. The north-eastern neighbourhoods of Bickfaya were deserted and littered with twisted metal, shards of stone windows and burnt cars.

The latest crisis angered Mr Hobeika's co-signatories to the accord, Mr Nebih Berri, the Moslem Shi'ite leader and the Druze chieftain, Mr Walid Jumblat. They blamed Mr Gemayel for what happened and officials close to them said they regarded it as a renewal of civil war in Lebanon.

For the time being, it appeared that Mr Gemayel's standing had been boosted.

Japan seeks talks about Soviet-held islands

By Jurek Martin in Tokyo

JAPAN IS trying to extract a recognition from the Soviet Union that its claim to sovereignty over the Soviet-occupied Kurile Islands off its north coast was a subject susceptible to bilateral negotiations.

Officials from both sides met last night to try to work out the wording of a promised communique on the talks here between the two foreign ministers, Mr Shintaro Abe and Mr Eduard Slievardnadze.

The ministers themselves were prepared ta meet again today—after 10 bours of negotiations over the last 48 hours —if the officials deemed it necessary. Otherwise Mr Shevardnadze will on Sunday conclude his Jepanese visit, the first by a Soviet foreign ministers in 10 years, by meeting Mr Yasuhiru Nakasone, the Jepanese Prime Minister, and a ceremonial round of sight-seeing and factory viewing.

At a reception last night Mr Abe said that "the basic problem remained unsolved from the last war is one we cannot avoid if we are to develop Japan-Soviet relations."

Japanese officials explained that Japan's goal was, in effect, to roll the clock back to 1973 when fromer President Brezhnev told the then Prime Minister Tanaka that the Soviet Union acknowledged that a bilateral prohlem did exist. Subsequently, the Soviet Union has insisted there is nothing to negotiate over the Kuriles, which havo become an integral part ef the Soviet Union's important military presence in the region.

In response, Mr Shevardnadze mada no direct refersence to what Japan calls its Northern Territories. His only allusion was that the fact that talks had contained real substance was "satisfactory, even hough there are differences."

Japanese officials suggested that Mr Abe had raised the issue on a number of occasions both in the talks on bilateral problems and in the discussions on international issues. He had said, for example, that the Soviet proposal for an Asian security conference could hardly be beld while the Japanese claim to the Kuriles was unacknowledged and unresolved.

Most of Mr Shevardnadze's response at the reeception was devoted to an explanation of tbe latest proposals from Mr Mikhail Gorbachev, the Soviet party Secretary General, to reduce nuclear weapons progressively until the end of this century, when they would no longer exist. The Foreign Minister ?/led an emphasis for Japanese consumption that Mr Gorbachev's plan held good for tho Asian region and that the Soviet Union would remove its substantial missile strength if it were no longer faced with comparable US forces.

The two sides did agree that Mr Abe should go to Moscow for another round of talks this year and left open the possibility that Mr Shevardnadze would come back to Japan next year, thus re-establishing the long interrupted regular round of consultations. Mr Abe invited Mr Gorbachev to come to Japan, as well, but the Soviet side reportedly did not respond nor did it invite Mr Nakasone te Moscow. Snch an invitation could be delivered today, however.

On minor matters, the two sides agreed to resume negotiations on science and technology co-operation and trade payments, hut begged to differ on economic and fishery issues.

Tribesmen take sides in S. Yemen fighting

BY PATRICK COCKBURN IN MOSCOW AND KATHLEEN EVANS IN DUBAI

FIGHTING CONTINUED for the fourth consecutive day in South Yemen with indications that tribesmen from outside the capital were coming to the aid of opposition forces in Aden.

Two regions—Awleq to the east of Aden and Ad-Dali to the north—were reported to have declared for the rebels. However, the Hadhramaut region was reported to have remained loyal to the Government.

In Moscow, Soviet officials told Western diplomats that the four leaders of the attempted coup were still alive. The South Yemen Government had previously announced that the four, including Mr Ali Ahmed Nasser Anter, the former Vice President, and Mr Abdul Fettah Ismail, the former President, had been executed after a summary trial when a coup against President Ali Nasser was attempted at the weekend.

The Soviet Union is deeply interested in the course of events in South Yemen, the only Marxist state in the Arab world and a close ally of Moscow.

Soviet officials also confirmed to diplomats yesterday that Mr Haider Abu Bakr al-Attas, the South Yemen Prime Minister, is visiting Moscow for consultations. He is said to have flown to the Soviet capital from New Delhi.

In Aden President Ali Nasser was said to be negotiating with four leaders of the coup in the Soviet embassy.

His policy of improving relations with neighbouring North Yemen, Oman and Saudi Arabia has benefited Moscow. It has enabled the Soviet Union to increase links with all three countries. Last year Moscow opened diplomatic relations with Oman, the first Gulf oil state to do so, apart from Kuwait.

In Aden, forces loyal to the regime appeared to be gaining the upper hand, although the United Arab Emirates newspaper Al Khaleej said yesterday that it could take some time to eliminate the pockets of resistance in the city.

A bomb blast rocked an Abu Dhabi office building yesterday, shattering windows of a tourist bureau representing South Yemen and Syrian airlines, officials told AP. The explosion was described as "minor" and no one was reported injured.

Business group assails Marcos

BY SAMUEL SENOREN IN MANILA

THE highly-influential Philippine Chamber of Commerce and Industry (PCCI) yesterday openly assailed the Government of President Ferdinand Marcos for mismanaging the economy, indulging in excessive spending and favouring failed businesses owned by close friends and associates.

It was the most severe criticism ever made hy the Philippines' largest business organisation again Mr Marcos who is standing for re-election on February 7.

The PCCI issued an open letter that was meant to be non-partisan to both Mr Marcos and bis cballenger Mrs Corazon Aquino expressing the business community's basic concerns. It asked both presidential candidates to make free enterprise, fiscal discipline and public eccountability top priority economic issues.

Mr Marcos bas avoided addressing himself to such issues in the campaign and has successfully diverted public attention by accusing Mrs Aquino of "beddling" with communists and dealing with Moslem separatists in southern Philippines.

Mrs Aquino, wbo bas been attracting large crowds in campaign sorties all over the country, has denied tha accusations but has failed to take the intiative by pressing bome the economic failures of the Marcos Government.

Sudanese army breaks strike

By John Murray Brown in Khartoum

THE ARMY was used to break a strike in El Obeid, a town 400 km west of the Sudanese capital of Khartoum, Gen Abbas Medani, the Interior Minister, confirmed to journalists yesterday.

This is tha first time that army units have been engaged in curbing civil disturbances since the military government of Gen Swareddahab came to power in a coup last April.

One person was killed, according to reports. The strike, organised by students demonstrating against power and water cuts in the provincial capltal, is part of e wave of protests.

Morocco fails to make first debt repayment

BY FRANCIS GHILES

MOROCCO IS now seven weeks late in paying the $85m it owes international banks, the first tranche of the rescheduled $550m commercial debt package It signed October 21, last year.

That agreement, reached after two years of talks, covers all principal repayments due in 1983 and 90 per cent of the principal due in 1984.

Tha steering committee of ten banks headed by Banqua Nationale de Paris and Citibank is hoping that prompt payment hy the Moroccans will allow them to save the agreement. Payment on December 12 would havo made the agreement legal and opened tha prospect of renegotiating the 1985-86 bank debt.

Meanwhile, Morocco has failed to reach some of tho targets set by tho IMF. The trada deficit for 1985 is expected to be larger than expected not least because the level of aid from Middle East donars will not be above about $800m. However the budget deficit was cut last year from 8 to 7 per cent of gross domestic product and and the balance of payments deficit reduced from 12 to 8 per cent of GDP—ahout Dirhams 1bn (£73m). However, the state has substantially improved its tax collection.

South Korean opposition warned

BY STEVEN B. BUTLER IN SEOUL

SOUTH KOREA'S President, Mr Chun Doo-Hwan, yesterday issued a toughly-worded New Year's pollcy statement. He warned his opponents against attempts to revise the constitution and repeated his pledge to stand down in 1988, when his term of office expires, in order to pave the way for Korea's first peaceful transfer of presidential power.

The statement, the President's most important policy address of the year, appears to put the opposition on notice that it can expect little in tha way of compromise from Mr Chun, end that he will continue the eggressive policies against dissidents end student activists that havo characterised the last six month.

"An all-engrossing controversy at this critical juncture over whether or not to amend the constitution would lead to the folly of dividing puhlic opinion and dissipating netional energies," he said.

The opposition is setting up the organisation to gather 10m signatures in favour of e constitutional amendment that would allow for a direct election of the President.

Sorry, Argyll. You are two years too late.

Distillers' shareholders have recently been bombarded with opinions from James Gulliver, chairman of the Argyll Group of Companies.

He claims that Distillers suffers from "an inbred management culture."

Its problems, he argues, "can only be cured by a change of control and the introduction of new, vigorous management."

The fact is, his opinions are two years out of date. In 1983, John Connell was appointed chairman of Distillers.

He brought with him an entirely new management philosophy. And set about revitalising the company.

A RADICAL CHANGE IN MANAGEMENT.

The management committee that had run Distillers for decades has been abolished.

The main business areas are now the responsibility of individuals.

The management of famous brands like Johnnie Walker, Dewar's and Gordon's is also in the hands of individuals.

Accordingly, decision-making is more efficient and the response to world market changes is faster.

Needless to say, Distillers' new style of management has necessitated the recruitment of new and highly-motivated personnel.

Argyll make much of the marketing staff they have recruited from among Britain's top companies.

We too have employed able people from successful companies like Unilever and Beechams.

But, more importantly, we have also recruited young and talented marketing executives from within the drinks industry itself.

In our 1985 Report and Accounts we said we were considering a share option scheme. It is designed to motivate our key people and ensure their commitment to Distillers.

We intend, after the offer, to put this to our shareholders for their approval.

A NEW APPROACH AT HOME.

Argyll believe that the performance of Distillers in the home market has been less than impressive.

In the circular announcing their offer they quote sales figures from as far back as the early 1960's to bolster their argument.

The facts are these:

In April 1984, a Distillers Home Trade Division was established to promote better the marketing of our Scotch whiskies. It will soon be integrated with our white spirits division.

Decline has now become growth.

In the first six months of this financial year, sales of Johnnie Walker Red Label rose by 37%.*

Cardhu Single Malt was up by 51%.* And Gordon's Gin continued to dominate with around 50% of the gin market.

Argyll also argue that Distillers have neglected the vital area of new product development.

In fact a New Products department was established in 1984.

Currently, there are more than fifty new concepts under examination.

BRAND-BUILDING ABROAD.

This time, Mr. Gulliver travels back as far as the 1970's in his attempt to belittle Distillers' performance overseas.

We believe that he has undervalued what has happened in the last two years, including the purchase of an American distributor and bourbon producer for 250 million dollars.

And the increase in advertising and marketing budgets of over 17% in the same period.

In the all-important U.S. Market, Tanqueray is now the number one best-selling imported gin and Dewar's is the number one Scotch whisky.

In the 12 months to September 1985, worldwide sales of Johnnie Walker Black Label increased by 26%. And in the vital duty-free spirits market, Distillers' whiskies, gins, vodkas, cognacs and Pimm's together now hold 23%.

A VALUE STRATEGY WORLDWIDE.

It is interesting to note that Argyll's criticisms largely refer to volume share.

This is no surprise since their own background is in discount retailing.

But they really should be aware that the international drinks business is as much to do with value as volume.

One of the main tasks of the new management team has been to protect value worldwide, thereby guaranteeing the highest return to shareholders.

Thus Distillers' de-luxe brands account for just 20% of Scotch whisky volume, but 43% of profits.

Distillers' exports of Scotch whisky to the U.S., the largest drinks market in the world, are worth more than those of all its competitors.

A FRESH LOOK AT PRODUCTION.

Thus far, Argyll have had little to say about improving Distillers' production performance.

This could be because they recently sold their Loch Lomond distillery, following "a policy decision to reduce investment in Scotch whisky production."

Distillers, meanwhile, have been making great strides in the area of cost efficiency.

The new management team has continued to tackle the problem of excess stocks of maturing Scotch whisky.

Gin and whisky bottling plants have been rationalised and modernised.

And between March 1984 and September 1985, Scotch whisky blending and bottling costs were reduced by 19%.

FUTURE GROWTH.

To listen to Argyll, you would think that success in the international drinks business can be achieved overnight.

In reality it is much to do with astute marketing and image building over a period of many years.

The recent upturn in Distillers' fortunes reported here is more than encouraging. Yet the changes implemented since 1983 were intended for long-term growth.

The major benefits have still to be reaped.

We will continue with the strategy of protecting and maintaining our famous brands.

Product innovation will continue through line extension and the introduction of new brands.

Our experience in the drinks business will be coupled with a positive attitude towards acquisition.

We believe Argyll have little to bring to our business.

In our opinion, their highly-geared offer could easily throw Distillers into reverse.

We urge you to reject the offer.

The Distillers Company plc.

This advertisement is published by The Distillers Company plc, whose directors (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate. Each of the directors accepts responsibility accordingly.

*Source: DCL Home Trade Case Sales statistics comparing the same period in the previous year. Argyll's Offer Documents. DCL Defence Document. Argyll's Report and Accounts 1984/85. Distillers' sales statistics.

UK says Gatt talks will focus on trade in goods

BY CHRISTIAN TYLER, TRADE EDITOR

INTERNATIONAL trade negotiations due to be launched later this year will focus principally on barriers to exports of manufacturers, according to a British Government policy statement in London last night.

Setting out for the first time UK objectives in the coming talks in the General Agreement on Tariffs and Trade (Gatt), Mr Leon Brittan, Trade and Industry Secretary, put unexpected emphasis on the traditional work of the Gatt.

The minister recognised the importance of framing rules also on trade in services and agriculture, topics that have dominated Gatt discussions for the past two years, largely at the insistence of the US.

But, significantly, he said these issues should be "kept in proportion."

Mr Brittan, who is at the centre of a political row over the Government's handling of rival US and European bids for the rescue of the Westland helicopter company, appeared to be at pains to voice the concerns of British manufacturing industry.

The Government has been under pressure from industry to declare its unambiguous support for traditional hardware exports.

In a speech to the International Chamber of Commerce, Mr Brittan insisted that tariff barriers put up against manufactured goods were still significant.

The UK would aim, through discussion with EEC partners, to eliminate so-called "tariff peaks." These are the abnormally high rates imposed by some developed countries on selected goods as well as import duties, sometimes exceeding 100 per cent levied by even the stronger developing countries.

It was not necessary, nor was it politically acceptable to Britain, that stronger developing countries with competitive export industries and cheap or free access to the richer markets should maintain high tariff protection, Mr Brittan said.

Negotiations to remove these unequal arrangements would, however, be "long and difficult."

The minister plainly suggested that rich countries would have to open their markets to textiles and clothing, at present limited by the Multifibre Arrangement, in return for concessions on other goods.

He was confident, he said, that countries would agree to try to frame rules for trade in services, which now accounted for 20 per cent of world trade. "Because of the novelty of a services negotiation, it is going to be a long haul."

Agriculture was a pressing problem, too, but unlimited export subsidies were no answer since overseas markets were now in surplus too. "That is why change is as much in the interests of agriculture as of the country as a whole," Mr Brittan said.

Bayer in $25m deal over US trade mark

By Jonathan Carr in Frankfurt

BAYER, the West German chemicals group, is paying $25m (£17.8m) to buy back the partial right to use its trademark in the US from Sterling Drug of New York.

The German company will now be able to use the name Bayer for its industrial chemical products sold in the US, but still not for its consumer goods or pharmaceuticals.

Sterling Drug will still be able to market its aspirin throughout the US using the Bayer name and symbol — the word Bayer written as a cross within a circle.

Sterling Drug bought the right to the trademarks in 1919, after all Bayer's assets in the US had been confiscated by authorities there at the end of World War I.

In 1970, Bayer was able to win back the right to use its trademark throughout most of the world—but with the notable exception of the US.

In a related action, Bayer also announced yesterday that it planned "in the foreseeable future" to rename Rhinechem, its American holding company, Bayer US Inc.

Both moves are intended to boost the company's profile in the US. Bayer has been expanding strongly there, above all since the early 1970s, and now has a US annual business volume of about $4bn.

Hitachi colour TV plan for W. Germany

BY JOHN DAVIES IN FRANKFURT

HITACHI, the Japanese electronics group, will soon start making colour television sets in West Germany as part of a steady expansion in its European production operation.

It plans to make about 50,000 colour TV sets a year at its Landsberg plant in Bavaria, where it already produces video-recorders.

The sets, aimed primarily at the West German market, will be manufactured from April. The company claims the sets will have a relatively high 80 per cent European content, including parts imported from Hitachi's TV set and video-recorder factory in the UK.

Hitachi's UK factory is expected to boost its TV set output substantially to about 600,000 this year.

The Japanese company started up its Landsberg plant just over two years ago and has already announced it is sharply increasing its video-recorder production there. After assembling 180,000 video-recorders at Landsberg last year, it plans to turn out between 250,000 and 300,000 this year.

Its video-recorder expansion plans have been given further momentum by the European Community decision to increase the tariffs on video-recorders imported from Japan.

With TV set production being added to its operations, the Landsberg factory will increase its workforce from 330 to about 400 by the end of this year.

Mr Sadanori Watanabe, director of Hitachi's Landsberg-based operation, said that he did not see his company's local TV set production as significant new competition for European manufacturers.

Production would be on a relatively small scale and would to some extent be replacing supplies from Japan or the UK.

Mr Watanabe said that Hitachi was also studying the possibility of producing compact-disc players in Europe. But he gave no indication of where such production might take place.

Hitachi is one of a cluster of Japanese consumer electronics companies to have set up production operations in West Germany in recent years, either on their own or with European partners.

In one major venture, JVC of Japan joined with European companies in video-recorder assembly operations in both West Berlin and Newhaven in the UK.

JVC, a leading Japanese consumer electronics company, is nearly tripling its compact disc production, citing "dramatically increasing worldwide demand," Carla Rapoport writes from Tokyo.

The company said yesterday that it plans to raise its monthly production capacity from 1m discs to 1.7m next month and to 2.7m by July.

This will mean an annual production capacity of more than 32m discs, which will be the largest in Japan. Internationally, JVC claims it will then be second only to Polygram of West Germany.

JVC is investing Y5bn (£15m) on expanding its disc production facility. JVC began producing compact discs in 1984.

Japan trade surplus peaks

JAPAN REGISTERED a record trade surplus in 1985, with preliminary figures showing a $46.14bn (£32bn) gap between exports and imports, Reuters reports from Tokyo. The figures also revealed that Japan built up another record surplus with the US.

The Finance Ministry said the surplus for December alone was a monthly record of $6.64bn.

The large imbalances occurred despite efforts during the last three months of 1985 to reduce Japan's competitive advantage by forcing up the yen's international value.

Japan's surplus with the US reached $39.51bn, an increase of 19.4 per cent on 1984.

Final figures are expected to put the surpluses even higher, officials said, with the US-Japan trade gap likely to approach $50bn.

The figures are likely to result in renewed demands in the US Congress for curbs on Japanese imports. These demands had abated recently as the rise in the yen's value promised to put a brake on Japanese exports.

The preliminary customs-cleared figures included the costs of insuring and transporting Japan's imports. These will be deducted later, making the import figure lower and the surplus higher.

Singapore urged to boost role in world trade

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE should develop new trading activities, become a counter-trade centre and set up an Export-Import Bank to improve its position in the international trading system, an expert panel has told the Government.

The panel, a sub-committee of the Special Economic Committee appointed last year to chart a growth path for the island state, also urges financial and fiscal changes, including a moderation in the strength of the Singapore dollar.

The panel's report is part of a series being published by the committee, headed by Brig-Gen Lee Hsien Loong, son of Prime Minister Lee Kuan Yew. Last week another group offered 68 recommendations to make Singapore a more sophisticated banking and financial centre.

Singapore is suffering the worst recession in its 26 years of self-rule. Gross domestic product contracted 1.7 per cent last year, and the official forecast is zero growth in 1986.

The activities spotlighted by the panel on international trade include international consultancy, aircraft trading and financing, the export of computer software, oil trading and printing and publishing.

In commodity trading, the panel proposes an expansion of the local financial futures exchange to deal in commodities, greater tax incentives for traders, improved regional warehousing facilities and the development of Singapore as a counter-trading centre.

Qantas cuts excursion fare to Europe by 17%

BY LYNTON McLAIN

QANTAS, the Australian airline has cut its excursion fares from Australia to Europe, including the UK, by over 17 per cent for a limited period.

British Airways responded by matching the proposed new Qantas fares. The two airlines have traditionally operated services to and from London at the same fare, previously agreed through the International Air Transport Association.

The decision by Qantas to cut the fares has come as the Australian dollar has weakened further against other currencies, including sterling. The rate of exchange was A$1.5 to the pound in February last year and was $2.12 to the pound yesterday.

The lower fare is available for the period up to the UK summer, when demand from Australia to Europe and the UK usually is at a peak.

Qantas cut its economy excursion fares by about A$350. The new fares start at A$1,586 for flights from Sydney, Melbourne, Adelaide and Brisbane to London in February; A$1,686 for flights in March; A$1,886 for flights in April, and A$1,986 for flights in May.

All of the reduced price economy excursion fares from Australia to London are available for sale only in Australia and only until January 31. Passengers are required to make reservations for the outward and the return flights when they book the cheap tickets.

Britoil signs offshore search pact with Thais

By Boonsong K'Thana in Bangkok

BRITOIL, the UK oil exploration company, has signed an agreement with Thailand involving investment of at least $27.5m (£19.5m) over the next eight years to explore for hydrocarbons over a 13,400 square-kilometre block in the central Gulf of Thailand.

The licence for offshore block B12/27 is the second obtained by Britoil which in partnership with Amerada Hess of the US received a 5,490 sq-km onshore tract in Thailand's central plains last February.

In return for the concession, Britoil agreed to pay $1.5m to Thai educational institution and to pay production bonuses of $5m and $10m to the Thai Government when production averages 20,000 barrels a day and 50,000 b/d respectively.

The acquisition of a petroleum exploration licence in Thailand underlined Britoil's long-term strategy to develop and diversify internationally. Britoil also has petroleum exploration and production interests in Indonesia.

GEC Avionics wins £30m China orders

GEC AVIONICS of the UK has won contracts in China worth £30m, our World Trade Staff reports.

The contracts, with the China National Aero-Technology Import and Export Corporation (Catic), are for the supply of a range of avionics equipment and support services.

The equipment range has been specially designed for the Chinese Type 7 fighter aircraft and is the same as supplied under a contract signed in June 1980. It includes a radar, head-up display, VHF/UHF communications equipment, air data computer and power supply.

The new contracts bring the total placed by the Chinese with GEC Avionics to more than £85m since 1980.

GEC Avionics business with the Chinese began in the 1960s with equipment for civil airliners. GEC Avionics has had full-time representation, based in Peking, since 1982.

Indonesia order for AT & T Philips

AT & T Philips Telecommunications has won an order worth Fl 32m (£8m) to update existing telephone exchanges and supply new equipment to the Indonesian communications authorities, Reuter reports.

The order, financed by Dutch development co-operation funds, will be used to modernise the Jakarta telephone network, the Dutch-US owned telecommunications joint venture said.

Shultz reasserts right to military strike at Libya

BY REGINALD DALE, US EDITOR IN WASHINGTON

MR GEORGE SHULTZ, the US Secretary of States, yesterday bluntly reasserted the US's right to take military action against Libya and other sponsors of international terrorism, taking strong issue with a recent claim by Mrs Margaret Thatcher, the British Prime Minister, that such action might be illegal.

When a source of terrorism, such as Col Muammer Gadaffi, the Libyan leader, was clearly identified, "then we have to go after it," Mr Shultz said on CBS television. "Self defence is a perfectly legal basis for action, and I'm not ruling any options out," he said.

Mr Shultz's latest remarks followed a hard-hitting speech at a Washington conference on a low intensity warfare on Wednesday, in which he suggested that the US should not wait "until all the ambiguities have disappeared" before striking at terrorists.

Mr Shultz did not specifically mention Mrs Thatcher, but his officials said his remarks were intended as a response to a statement she made at a news conference with American reporters in London on Friday. "I must warn you that I do not believe in retaliatory strikes that are against international law," she was quoted as saying.

Mr Shultz, however, said it was "absurb" to argue that international law 'prohibits us from capturing terrorists in international waters or airspace, from attacking them on the soil of other nations even for the purpose of rescuing hostages, or from using force against states that support, train and harbour terrorists or guerrillas."

On the contrary, such action would be "strengthening the basis of international stability, justice and rule of law," he said. "A nation attacked by terrorists permitted to use force to prevent or pre-empt future attacks, to seize terrorists or to rescue its citizens when no others means is available."

US officials said that by speaking out now, Mr Shultz was trying to make sure that if another terrorist attack is linked to Libya. There will be no hesitation about striking back, now that virtually all possible US economic sanctions have been exhausted.

Mr Shultz said the US should use its military power "only if the stakes justify it, if other means are not available, and then only in a manner appropriate to a clear objective. But we cannot opt out of every contest. We cannot wait for absoluta certainty and clarity."

Striking at terrorists in the Middle East was bound to be controversial, Mr Shultz conceded. "But the worst thing we could do to our moderate friends in the region is to demonstrate that extremist policies succeed and the US is impotent to deal with them."

● Our Diplomatic Correspondent adds: Sir Geoffrey Howe, the British Foreign Secretary, yesterday again rejected a US request that Britain should join the US in taking economic sanctions against Libya. Sir Geoffrey mada it clear in a 90-minute meeting with Mr John Whitehead, the US Deputy Secretary of State, that Britain considered that economic sanctions did not work.

The Foreign Secretary assured Mr Whitehead, however, that Britain, which had already broken off diplomatic relations with Libya, was in favour of non-economic measures against Libya and would try to persuade its EEC partners to do the same.

Industrial production increases 0.7%

By Stewart Fleming in Washington

THE US Federal Reserve Board yesterday reported signs of a moderate revival in US industrial production. The Fed said that output last month increased 0.7 per cent. It also revised to 0.6 per cent from 0.4 per cent the increase in production reported for November.

Coupled with the strong gain in employment in December reported earlier, the industrial production figures will be seen in the markets as indicative of continued moderate economic growth. Mr Beryl Sprinkel, chairman of the President's Council of Economic Advisers, maintained yesterday that there seems to be a general consensus that the economy is accelerating.

Some private economists doubt, whether the employment figures (sometimes unreliable around this time of the year) are pointing to significantly faster growth. However, Mr Paul Boltz, financial economist at T. Rowe Price Associates, said the figures confirm that in December the economy was picking up momentum. He said he was revising upwards his estimate for first quarter real growth in the economy to 3 per cent from 2 per cent.

The signs of a slightly stronger economy have damped down expectations in the financial markets that the US Federal Reserve Board will soon cut its discount rate.

Speculation about lower interest rates was revived on Wednesday when a senior West German official said he expected the US to press for a co-ordinated cut in international rates at the meeting of the five major industrial country finance ministers (G5) this weekend.

Although the G5 ministers would certainly like to see lower rates there is disagreement about whether the preconditions are in place to permit such an initiative.

Reagan exempts Star Wars from spending cuts

By Reginald Dale, US Editor in Washington

PRESIDENT Ronald Reagan has exempted his Star Wars strategic defence programme and armed forces pay from the sharp spending cuts required this year by the new Gramm-Rudman deficit reduction law. Virtually every other section of the defence budget, however, will have to be slashed by 4.9 per cent.

Outlining the impact of the new deficit requirements in the current fiscal 1986 budget year, the Pentagon said the effects would be felt in almost every area of defence. "We are going to have fewer bullets, less ammunition, fewer spares and support items and less military readiness." Mr Robert Helm, the Pentagon Comptroller, told a news conference.

The defence cuts, totalling $5.8bn (£4bn), represents the biggest annual reduction in military spending in 13 years, according to Pentagon statistics. While no major programme will be axed, many will have to be stretched over a greater number of years. Strategic systems like Trident submarines, the MX missile and the B-1 bomber will all face the 4.9 per cent cu

Mr Reagan decided to use the limited discretion granted him by Congress for the current year to exempt the $2.75bn earmarked for Star Wars for fiscal 1986, because Congress had already significantly scaled back the programme, Mr Helm said. Only minor cuts would be made in the $67.9bn allocated for military pay and benefits, in line with the top priority that Mr Reagan has accorded to improving the quality and morale of US forces.

If the 4.9 per cent cut had been applied to military pay, the 2.1m strong active duty forces would have had to be reduced by 280,000, Mr Helm said. Under the new guidelines, the Air Force will lose $1.8bn, the navy $1.6bn and the army $1.3bn, with

Lyng emerges front-runner for top agriculture job

BY NANCY DUNNE IN WASHINGTON

MR RICHARD LYNG, who narrowly missed being named Agriculture Secretary when President Reagan first took office, has emerged the clear front-runner to succeed departing Secretary, Mr John Block.

Mr Lyng apparently met White House officials on Wednesday, who also met with another candidate, Mr Robert Delano, the outgoing President of the US Farm Bureau. However, support has been steadily building for Mr Lyng on Capitol Hill, and Senator Robert Dole, the majority leader has strongly endorsed his selection.

Senator Dole blocked Mr Lyng's appointment to the Cabinet post five years ago when he urged the appointment of a midwestern farmer. Mr Block, owner of a large pig farm, got the job and Mr Lyng, an agribusinessman from California and former director of the California Department of Agriculture when President Reagan was the Governor, was named Deputy Secretary.

Department of Agriculture employees said it was the older, more experienced Mr Lyng who actually ran the department, while Mr Block made numerous public appearances and lobbied in Congress. Mr Lyng lead the department

Mr Lyng's health has been a matter of concern. Two years ago he had major heart surgery, but he is said to have fully recovered. It is understood he will take the job if asked to by the President.

Described as outgoing, friendly and "a shrewd old bird," Mr Lyng can be expected to be a tough negotiator in his dealings with the EEC but less given to threatening rhetoric than Mr Block.

OECD warns Washington of risks to expansion, **David Marsh** reports

Moderate growth forecast for US economy

RISING DOMESTIC and external imbalances are posing increased risks that the American economic recovery will peter out, according to the US economic survey published by the Organisation for Economic Co-operation and Development today.

The OECD says that the US upturn from the deep 1981-82 recession has been stronger than anticipated, creating 8m new jobs and bestowing considerable benefits in the form of higher activity in the rest of the world.

Inflation has remained subdued at around 3 to 4 per cent. Risks of an upsurge in price pressures and of bottlenecks in industry appear lower than in similar phases of previous economic cycles.

But the OECD says large budget deficits, rapidly rising government debt, a widening current account deficit and the rapid deterioration of the US international investment position are threatening the sustainability of the upturn.

"Major challenges will be to reduce the structural budget deficit and secure a smooth orderly depreciation of the dollar while sustaining the momentum of the recovery," the OECD secretariat says.

Pointing out that the upturn is well into its third year, it says the pace of economic expansion has become "distinctly slower and more hesitant." Despite considerable uncertainty, forces making for continuing moderate growth are still expected to prevail over the next 18 months. The OECD sees annual real growth in gross national product proceeding at 2.5 to 3 per cent—albeit sharply down from the 1983-84 upturn during which real GNP increased by more than 12 per cent.

Inflation is expected to remain low with unemployment rising little from its present level.

However, the OECD points out that risks are especially high both because of the importance of US expansion for the rest of the world and also because "there is no general agreement on the workings of some of the important mechanisms involved."

Underlining the abnormal nature of the US economic performance during the past three years, the OECD says a number of events have defied expectations.

"The unusual strength of real business fixed investment in the current expansion is particularly striking given historically high interest rates."

Additionally, the stability of inflation during the current upturn is "remarkable." The deterioration of the trade balance during the current expansion has been "well in excess of all previous experience."

US DEMAND AND OUTPUT FORECASTS

Per cent changes from previous period, seasonally adjusted annual rate, 1972 prices

	1982 Current price $bn	1984	1985	1986	1986 First half	1986 Second half
Private consumption	1,984.9	5.3	4	2½	1½	2½
Government expenditure	650.5	3.5	5½	2¾	0½	2¼
Gross fixed investment	449.9	18.0	5½	1½	1½	0¼
Final domestic demand	3,076.3	6.8	4½	2½	1½	2¼
Stockbuilding*	−26.1	1.9	−1	0½	1½	0¼
Total domestic demand	3,050.2	8.7	3½	2½	2¾	2¼
Exports of goods and services	348.4	4.7	−4½	3½	5¼	6
Imports of goods and services	329.4	27.0	7	3½	4	4½
Foreign balance*	19.0	−1.8	−1	0	0	0
GNP at constant prices		6.8	2½	2¾	2¼	2½
GNP price deflator		3.8	3½	3½	4	4
Memorandum items: Private consumption deflator		3.2	3	3¾	3½	3½
Total employment		4.1	2	1½	1¼	2
Unemployment rate (%)		7.5	7¼	7¼	7¼	7¼

* The yearly and half-yearly rates of change refer to changes expressed as a percentage of GNP in the previous period. Source: Secretariat projections. OECD.

Finally, movements in the dollar—it rose 58 per cent on a trade weighted basis between the third quarter of 1980 and the first quarter of 1985, but has since fallen back considerably—" are difficult to explain on the basis of historical relationships between real interest rate differentials or current account developments."

Fiscal and monetary policies are supporting a continuation of the recovery. "With inflation remaining under control and uncertainty continuing to attach to velocity changes in M1, it is assumed that the Federal Reserve will continue to give considerable weight to the performance of the real economy in evaluating movements in the monetary aggregates.

Monetary growth is therefore expected to remain close to the upper end of target ranges for 1986, which have been provisionally set at 4 to 7 per cent for M1 and 6 to 9 per cent for M2.

Budgetary policy has remained moderately expansionary in 1985 because of the impetus from defence spending, but may become less so in 1986.

However, the OECD underlines risks from the heavily-geared debt position of the private sector. The surge in personal debt during 1983-84 has taken household financial liabilities to 82 per cent of personal income. Greater debt repayments and interest burdens could therefore inhibit consumer spending.

On the external side, the widening current account deficit—expected to near $150bn this year after $130bn in 1985—is not only increasing protectionist dangers but also driving a wedge into domestic economic sectors.

On the overriding problems posed by the dollar's strength, the OECD says a further depreciation would be necessary to restore competitiveness and reduce the current account deficit. But this would probably be at the expense of upward price pressures.

If the dollar were to decline a further 20 to 25 per cent in the next year and a half, this would porbably add 2 to 3 per cent to the inflation rate in the first year.

The OECD also questions whether the build up of US foreign indebtedness is sustainable. The US had a net creditor position vis a vis the rest of the world at the end of 1982, but the current account deficit build up drove this position into virtual balance by the end of 1984. Now a net debtor country — for the first time since World War One — the US will see its position deteriorate further in coming years.

As a large net creditor, the US used to have its current account strengthend by substantial net income on investment. But the move into debt, by worsening the investment position and boosting net interest payments to foreigners, will require a disproportionate improvement in the trade account to correct the overall imbalance.

OECD survey of the US, OECD, 2 Rue Andre Pascal, 75775, Paris, Cedex 16.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Zantac's aftermath

Glaxo goes for the long term

Paul Girolami, the buoyant drugs group's trenchant chairman, talks to Tony Jackson

THE PROBLEMS faced by Paul Girolami, the new chairman of Glaxo, seem mostly those of success. His company, Britain's biggest drug manufacturer, has a phenomenal growth record; it owns one of the most dramatically successful products in the history of the industry; and it has a cash mountain accounting for over 40 per cent of group assets.

For tha City, the questions raised are predictable. Can the sixfold growth in earnings over the past five years be maintained? Where is the next wonder drug coming from? How is the cash mountain to be spent?

Girolami is not playing the City's game. "Of course we can grow," he says. "As to how fast, I don't know." New wonder drugs? "If the only way we could grow was through another Zantac"—Glaxo's anti-ulcer drug, now contributing 41 per cent of group sales—"I'd be pessimistic. But it isn't." The cash mountain? "It's useful to have money, but we don't need it. It's a derivative function."

Throwaway lines are something of a Girolami speciality. His view of biotechnology, an issue which causes great excitement in most drug companies, is typical. "It's really only an approach rather than a research method in itself. It reminds me of the days when operations research was the go-go area in management. That again was just a means to an end, and people now use it without calling it that and without thinking about it."

The management reference is typical too. Although he describes himself in downbeat fashion as "a bookkeeper," Girolami is very much the manager's manager. After graduating from the London School of Economics he trained as an auditor, then from 1956 spent an evidently formative nine years as a management consultant.

He gave that up in 1965—"It was interesting work, but you never felt you were in the real problem"—and joined Glaxo as financial controller. By 1968 he was finance director—"the first Glaxo ever had," he says. "There is still a healthy undercurrent of disrespect for accountants in this company."

This is borne out by his attitude to Glaxo's cash mountain—now almost £400m gross. "When you're capitalised at £5bn, it's simply not important having £400m in the bank. After all, it's only a year's profit. If the cash mountain grew to the point where it was a problem, we'd do something about it—but we're determined not to let it burn a hole in our pockets."

On the other hand, Glaxo's return on its actual operating assets is close on a remarkable 70 per cent. Is this not in embarrassing contrast with the investment return of around 10 per cent on the cash mountain?

"If there was a magic way of turning that cash into a 70 per cent return we wouldn't dream of doing anything else," says Girolami. "But this isn't an investment-type industry, it's an ideas industry. Ever since I can remember, money has never been a critical factor in Glaxo's development. The fact that the cash is there doesn't mean our researchers are encouraged to come up with ideas—they do that anyway. If we were short of cash for the purpose we'd borrow it."

There is, of course, scope for acquisition. Girolami gives the impression that this is not an immediate priority, and certainly not a prerequisite for growth. As to what will happen when Zantac runs out of steam, he points to Glaxo's relatively recent transformation from a British and Commonwealth-oriented company to a truly international group.

"The launch of Zantac (in 1981) virtually coincided with our entry into the US, so we had a multiplier effect," he says. "Even a product modest in proportion to Zantac—our anti-asthma drug Ventolin, say, which is a major product by any normal standard—would be much bigger for us now than in the days when we didn't have the US and Japan on our books."

The push into the US is now being intensified by the setting up of an independent research establishment in North Carolina, aided this month by the recruitment of the ex-head of research at a rival drug company, Burroughs Wellcome. In Japan — "a very difficult market" according to Giroyami —selling is still conducted through joint ventures.

In the more distant future, this may change. "There are a number of countries where it might ultimately make sense to acquire companies to buttress what we've got already," Girolami says. "Germany, France and Spain, for instance, as well as Japan.

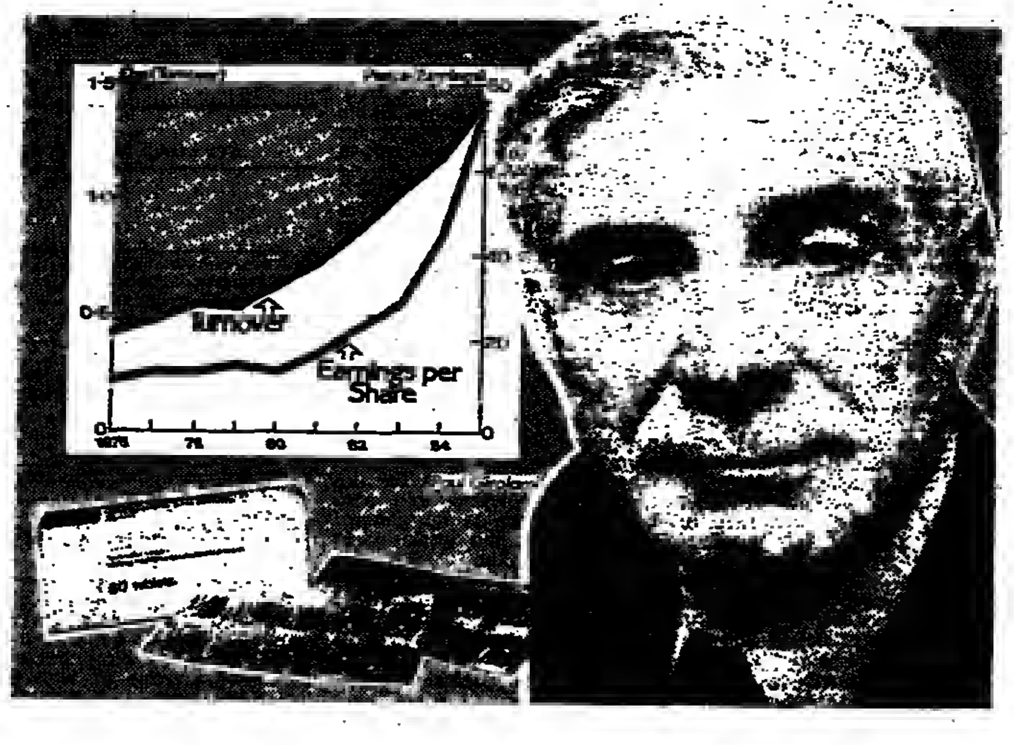
"In some cases, I would be looking for a research base as well as marketing. It's a fundamental part of our policy to expand and diversify our research and development—hence our start in the US—and in some countries you have to start with an existing research nucleus. Otherwise, if you're not known there, you can't get the best people to work for you."

Glaxo's most recent preoccupation, though, has been not with acquisition but with disposal. The last year has seen the sale of a string of businesses not connected with mainstream prescription drugs. Almost the last of those, the baby foods business in which Glaxo had its origins, is supposedly being sold to Boots at present, though the withdrawal of its Farley products due to a salmonella outbreak last month has cast a shadow over negotiations.

In the context of the drug industry around the world, Glaxo's concentration on ethical drugs runs consciously against a current trend. In response to a certain hardening of political and social attitudes towards the industry, a number of companies are diversifying into related areas such as non-prescription drugs and health products. Girolami disputes both the need for such a move and its wisdom.

"Is it a company's business to hedge its bets?" he asks. "I actually believe that having all your eggs in one basket sharpens the mind, makes you better. And at least a shareholder coming into our company knows what he's getting."

With characteristic self-depreciation—"nothing in business really comes down to personalities"—he plays down his own part in the strategy. "It's not too much a matter of philosophy, just the way we've developed. Our non-prescription businesses weren't showing the kind of growth that would impel us in those directions. We grew originally in milk and baby foods, to the point where the growth wasn't there any more. Then our entry into pharmaceuticals proved very successful, and grew out of all proportion."



He concedes, though, that the specialised approach is close to his heart. "I took a view on it in principle many years ago, and in 1980 I tested it by raising the issue provocatively at the first management conference I attended as chief executive. I asked which routes we ought to take to diversify, and I was confirmed by people's lack of clarity on what the question actually meant. For many years we didn't have a view on how we should diversify, or even on whether we should be diversified at all."

Girolami also believes that diversification is inherently awkward for a company in Glaxo's line of business. "High quality ethical drugs are *sui generis*. They don't really have synergy with anything else."

His reasons are in character. "It's very rare that normal management techniques even touch ours. In my management consultant days I used to look at yardsticks like levels of service, marginal costs and price elasticity. In this industry the level of service is 100 per cent, the marginal cost of production is virtually zero, and as for price elasticity curves, you can throw them away—you don't take more Zantac because it costs 23p rather than 28p. In this business everything is upside down, and to start thinking in too many directions at once just makes for difficulties."

Nor does he accept that the industry's growth prospects are in jeopardy. "You have to start with two questions. First, are the needs which the industry meets being adequately provided for by existing suppliers? And second, are the needs themselves going to develop and expand?

"On the first of those, there are vast areas for improvement. On the second, demand can only expand. So the elements of growth are there for the industry. As for whether we are going to grow within the industry—that depends on us. We have to come up with the right products and market them properly, but that's our job."

City observers sometimes express wider worries that the drug industry could go the way of electronics—an industry which has lately been in the doldrums, despite showing strong contra-cyclical growth through the early days of the recession. Girolami is not baving that either.

"There is no real parallel. Electronics as part of defence is meeting a government's need, and meeting it indirectly at that. If the final user changes his mind, or even his specification, you as an intermediate supplier can be out. We're not like that—we supply people direct.

"The only analogy is that in a lot of Western countries governments pay the bill. But I don't believe our market rests on having an NHS, for instance. I don't believe the demand or even the prices for our goods would change if the NHS disappeared.

"Our object is to sell quality products, and most people who buy our products will pay if they have to. Zantac in Hong Kong is priced more highly than in the UK, and it's used by lower-income people like construction workers. If you're paid by the hour, Zantac is the cheap way of getting rid of your ulcer."

Plainly, Girolami is a long-term thinker. But then, he can afford to be. His company enjoys a high stock market rating, and even in today's climate is in the unusual position of being too big to be a serious candidate for takeover.

He can therefore place himself in direct opposition to the short-term criteria of the investing institutions. "This is an exciting growth business for the next 20 years," he says. "Of course, if it were only a short-term growth outlook, I might be looking at things differently."

The two cultures

A RESEARCHER at the University of Manchester Institute of Science and Technology recently made a study of the attitudes of British and Japanese managers towards each other and their work. Most of the Japanese returned the questionnaire within three weeks, but many of the British took two to three months. The researcher is still waiting for some of the stragglers.

Even without these missing opinions, the study, by Mrs Ritsuko Miyajima, does not make exactly happy reading for the UK's company men and women. Nor is it very reassuring for those Japanese companies in Britain which are trying to "integrate" their local managers.

The study, which encompasses 40 of the biggest names in Japanese and British industry and banking, is partly based on a questionnaire of 130 Japanese and 70 UK managers working for companies of each other's nationality in the two countries. The executives were asked to rank in importance a series of attitudes and beliefs. The study also includes in-depth interviews about mutual perceptions with 12 Japanese and 13 British managers working for Japanese subsidiaries in the UK.

The Japanese in these companies tend to see British managers as individualistic, with the priority of developing their careers and valuing personal free time. Displaying questionable loyalty to the company, they are assertive "sometimes to the point of being defensive" by never admitting to fault.

The Japanese also see them as rather authoritarian and conservative, bugging onto a chain of command, making decisions without much consultation, and displaying scant regard for their subordinates. Protecting the status quo is a lynchpin of British managerial behaviour, the Japanese comment.

The British managers' perception of Japanese managers in these Japanese subsidiaries, not surprisingly, is that they are group-orientated in decision making—"sometimes to the point of excluding the British members." They are seen as observing a strict hierarchy, where the worst mistakes can revolve around the adoption of an "incorrect" attitude towards somebody.

Both groups agree that knowledge, competence and experience are essential qualities of an ideal manager. But while the Japanese stress ability to communicate with staff and unite the team, the British stress ability to do the job, organise, control and use staff.

The Japanese and British in the interviews share similar views on the ideal qualities of a subordinate, but the British emphasis is on running matters smoothly, the Japanese on improving business.

A stable income came top of both lists of working goals, but at this point the very different culture of the two groups emerge. The Japanese stress Ikigai (the purpose of life)—"I think I'm trying to find the meaning of life through work" was one example. The British stress job satisfaction—"I really prefer to go home at night thinking I have done a fair day's work."

Some of the words about managerial values, jobs and subordinates which were chosen as important by the Japanese, but not the British, include dynamic personality, sense of responsibility, originality, broadmindedness and intellect. Those selected as important by the British but not the Japanese include adaptability, self-respect, ambition and having an "exciting life."

Business courses

Pharmaceutical / medical research, Worcestershire. February 4-5. Fee: Members £253; non-members £345. Details from the Courses Secretary, The Market Research Society, 15 Belgrave Square, London SW1X 8PF.

Operational auditing, Brussels. February 24-26. Fee: Non-members BFr 61,000; Members (Ama/II) BFr 55,000. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels. Tel: 32/2/516.19.11. Telex: 21.917.

Advanced business presentations, Berkshire. February 27-28. Fee: Members £255 + VAT; Non-members £300 + VAT. Details from IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berks SL6 9QH. Tel: 06285 24922 ext 29.

Advanced networking techniques, London. February 20-21. Fee: £550. Details from CGS Institute, Russell House, Russell Street, Windsor, Berkshire SL4 1HQ. Tel: 0753 858811. Telex: 849105.

TECHNOLOGY

Apple takes another bite on business side

Louise Kehoe, in San Francisco, on the launch of a computer crucial to the company

IF AT first you don't succeed, try, try, try again . . . and again, in the case of Apple Computer. This week, the Silicon Valley company that sparked off the personal computer market with its Apple II launched the Macintosh Plus, another attempt to establish itself in the business personal computer market.

For Apple, this upgraded version of the two-year-old Macintosh also represents another effort to throw off the "one product company" tag that has hung heavily around its neck for several years.

Apple's failures, the Apple III and the Lisa, have faded into history. But the two-year-old Macintosh has not lived up to Apple's high expectations either. Sales totalled only about 270,000 in each of the last two years.

Dataquest, a US market research firm, said this was far short of Apple's goal of 2m units a year.

Apple still claims that the Macintosh is a success. "But I'd be less than honest if I claimed we had been successful in the business market," admits Bill Campbell, Apple executive vice president of marketing and sales.

Dataquest says less than 40 per cent of Macintoshs sold have gone to businesses.

The new Mac Plus corrects some of the deficiencies of the original design. Most significantly, it is faster. While the Macintosh screen, with its little smiling face icon, is very friendly, staring at that screen waiting for the computer to swop information to and from the disk drive has been a drawback for Macintosh users. With twice as much memory storage capacity, one megabyte, the Mac Plus makes fewer data swops.

Apple has also won improved performance for the Macintosh by doubling the capacity of the built-in disk drive to 800k bytes. A new 128k read-only memory, holding improved systems programs, also speeds operations.

The net result, according to the Apple Macintosh Plus product manager, Mr Ed Colby, is a speed improvement of 50 per cent in many instances. Macintosh programs such as Mac Draw, which took 30 seconds to load into the Macintosh, can be transferred from disk to internal memory in as little as eight seconds on the Mac Plus, he claims.

Another important improvement is the addition of an industry standard SCSI port. This allows the connection of up to seven peripherals with improved data transmission speeds.

In the US, the Mac Plus will sell for $2,595 (£1,800), with upgrade kits available to current Macintosh owners. The price of the Macintosh has been reduced to $1,995.

More radical changes in the Macintosh are still to come, probably later this year, when Apple will announce an "open Macintosh."

Mr Colby says Apple will have two Macintosh models just as it has two Apple II models. The current model will be the compact version while a new expandable version is still to come.

Apple recognises that it made some bad mistakes with the Macintosh. The most serious was to "close the box." Unlike the Apple II or IBM's personal computers, the Macintosh computer comes in a sealed case. This means that it is difficult to modify the machine. There are no slots for the extra circuit boards that generally crowd the inside of an Apple II case.

By closing the box, Apple ruled out opportunities for many suppliers who might have become Macintosh supporters. It also sealed in Macintosh's shortcomings.

The debate over opening the Macintosh ran right to the heart of many of Apple's problems last year, sparking the rows that eventually led to the stormy resignation of the Apple co-founder and chairman, Mr Steve Jobs.

Mr Jobs was adamant that "his" Macintosh should remain pure. He clashed with Mr John Sculley, Apple president, and many of his colleagues who recognised that Apple alone could not meet the needs of business customers.

Mr Scully said yesterday: "We recognise that our workstations must be part of systems that serve the complicated needs of business customers . . . that our computers must work with the existing standards in business, like IBM." This does not mean that Apple plans to build an IBM PC clone, but it is a fundamental change in philosophy for the company.

John Sculley, president of Apple

Apple is determined to put its troubles — losses, lay-offs and stormy exits — in the past.

It is "back to the future," for Apple, Mr Sculley said this week when the company reported record earnings for the Christmas quarter.

Still, this week's product announcements illustrate the fact that Apple was thrown off track by this summer's disturbances. The Macintosh Plus is "the best that they could do in the time available," says Mr Egil Juliussen, chairman of Future Computing, a US market research firm.

In the future, Apple plans a big push in the "information services" field, where the Macintosh ease-of-use features could greatly simplify the use of remote data bases.

In the meantime, however, Apple still must persuade more big companies to adopt the Macintosh. Perhaps its best news this week was the announcement by Arthur Young, the accounting firm, that it will equip all of its field auditors with Macintosh computers.

A taste of the East heads for the West—at high speed

By Stephanie Yanchinski in Singapore

THE MAKING of soya sauce, the "salt" on millions of Asian tables, used to be the closely-guarded secret of a handful of family enterprises. But modern techniques, including biotechnology, are turning this venerable condiment into a mass-produced food for sale worldwide.

Scientists in Japan, and Singapore have found a way to shorten the lengthy fermentation, the essence of the sauce's manufacture, from several months to a few days, without destroying its unique piquancy.

Even more exciting, the techniques will allow manufacturers to subtly alter the flavour and aroma of soya souce to suit Western palates and thus open up new markets for it.

The three-stage process for manufacturing top quality sauce involves, first, cleaning and cooking whole soya beans under pressure, then mixing them with cracked, roasted wheat as a source of energy. Next the beans are inoculated with a fungus and spread on a tray. After three days, the mash, called koji, becomes greenish-yellow, as the fungus sporulates.

The Japanese were among the first to automate sauce making

The koji then goes into a vat filled with salt water, where it ferments for three months. This is when the sauce develops its flavour and aroma.

At first, processors added the salt water simply to preserve the quality of the sauce by preventing the growth of other micro-organisms during manufacture. However, it is now known that certain bacteria flourish in the strong salt water to give the sauce its aroma.

At the end of three months, the fermented mixture, now called moromi, is strained, the liquor pressed out, and pasteurised. The heat turns the sauce the more familiar reddish-brown colour and further enhances its aroma.

Japanese manufacturers were among the first to automate the sauce-making process. Kikkoman, the first-ranked seller in Japan, is in the vanguard of developments. For instance, it was the first to announce a dramatic change in the conventional process, which reduced the fermentation period from three months to between three and five days.

In the process, still under development, the koji is passed through a column filled with enzmes. This matures the soya mash and gives the sauce its aroma.

A long-established soya sauce maker in Singapore, Chuen Cheong Food Industries, will soon install its own new process, which its inventor, Dr Leslie Yong, a biochemist at the National University of Singapore, claims is as good as Kikkoman's.

After the first three days, the bean mash goes into a "bioreactor" — a fermenter equipped with sophisticated process controls.

Dr Yong feeds his mash with special ingredients, including a mix of traditional enzymes and specially-grown yeast. By closely controlling the reaction, he delicately manipulates the taste and aroma of the product, giving a new range of sauces. For instance, Yong can vary the salt content to yield the low salt sauces preferred by the Americans.

The process shortens the fermentation period to nine days

Dr Young's process shortens the fermentation period from 90 days to nine. He claims it is less cumbersome than Kikkoman's column to scale up to full commercial production of 100,000 litres.

Impressed with these results, Dr Yong's partner, Chuen Cheong, received S$640,000 (£209,000) from the Ministry of Trade and Industry Council to build a 3,000 litre pilot plant, the size of a small factory. This starts up next month.

After six months of fine tuning Dr Yong expects to be able to market his process abroad, especially in Japan and in the US where companies have already shown interest.

Putting pressure on a sleeping astronaut

ASTRONAUTS coping with the effects of weightlessness on space flights may have a better chance of a good night's rest, thanks to a sleeping bag developed by TNO, the Dutch research organisation.

Its fibre research institute has produced a bag lined with two tubes into which air can be pumped under pressure. The tubes stretch the upper and lower sheets of the bag, causing the body to be put under pressure similar to that to which it is subjected by gravity on the ground.

Drifting around the earth in a vehicle such as a US space shuttle is a disturbing experience, mainly because of the weightlessness suffered by the body under such conditions.

While they are awake, astronauts can compensate for the effect by what physiologists call "mental override." Essentially their brains keep reminding their bodies of the unusual physical environment.

When astronauts go to sleep, usually fastened inside bags by straps, the mental override no longer occurs. As a result, they rarely sleep continuously for more than about three hours. Such rest patterns can make it harder for them to work efficiently.

The Dutch sleeping bag was tested last autumn aboard a space shuttle devoted to scientific experiments in which three Germans and one Dutchman formed part of the crew. Mr Wubbo Ockels, the Dutch astronaut who has been training for several years with the European Space Agency, advised TNO scientists on the development.

Pressure adjustments for the bag are made with the help of tubes and stops handled by the astronauts.

PETER MARSH

Gas engine heat exchanger

E. J. BOWMAN, a company in Birmingham, is selling heat exchangers which, it says, recover up to 85 per cent of the heat emitted by natural gas engines, for instance those driving alternators or pumps.

The mechanisms recover heat from the exhaust gas and transfer it to a water circuit. One possible use is with engines driving heat pumps.

Another application could be in recovering heat normally wasted by diesel engines in trains and buses. The energy can be transferred by the water circuit to warm up passenger compartments.

The devices comprise networks of pipes which channel water to the locations where heat is being emitted. Water flow through the circuit is controlled by thermostats.

Poultry disease test system

A series of diagnostic tests has been developed by Agritech Systems of the US to monitor signs of disease in poultry.

The tests, called Flockchek, are sold in Britain by Dynatech Laboratories of Billingshurst, Sussex. Samples of biological materials (such as blood) from the birds are reacted with enzyme-based reagents to detect by colour changes the presence of viruses that cause poultry disease.

Dynatech says the tests can be conducted in an office. They are specific for nine forms of poultry disease, take about three hours to perform and require only small amounts of reagent.

Nexos funding 'imprudent and lacking in care'

BY JASON CRISP

THE Trade and Industry Department (DTI) and the National Enterprise Board (NEB) have been strongly criticised for their role in the Nexos affair. The state-backed company set up to create a British force in office automation collapsed in 1981 with heavy losses.

The public accounts committee, the parliamentary watchdog, says in a report published yesterday that the DTI was imprudent in the way it approved further funding for Nexos.

The committee is particularly critical of the NEB, now part of the British Technology Group, for failing to exercise proper care in its monitoring of Nexos funding and says it must bear the ultimate responsibility for its failure and the loss of £32m of public money.

The committee has largely based its findings on a report by Mr Russell Ford, a senior accountant at Deloitte Haskins and Sells, who was on secondment at the DTI.

That report, published last July, contradicted the previous views on the reasons for the collapse of Nexos. Mr Ford said Nexos was over-ambitious and built an organisation that was far too large to be supported by relatively small sales. It was overdependent on the early sales success of a single product, a word processor. The DTI and others had previously blamed an unsatisfactory supply agreement with Logica VTS, which made that main product.

The committee says it believes that the failure by the NEB properly to discharge its control and monitoring role contributed significantly to the failure of Nexos.

The principal reasons for this conclusion were:

● The NEB negotiated the supply and marketing agreements that subsequently led to the difficulties between Nexos and its suppliers.

● It allowed Nexos to change its strategy from selling existing products to putting greater emphasis on the development of new products, with the consequent higher risks.

● It failed to recognise – and therefore slow – the rapid build-up of Nexos in the first part of 1980.

● It did not appoint independent non-executive directors until February 1981 – in other words when it was too late.

The committee also notes: "In our view the DTI must share part of the responsibility for the failure of Nexos. However, we note with satisfaction that as a result of the Government's acceptance of our earlier recommendations on DTI's monitoring of BTG, improved arrangements have been introduced by the department"

UK steel output up 3.9% last year

By Ian Rodger

THE BRITISH steel industry rowed against the international current last year, achieving a 3.9 per cent increase in output when most other countries produced the same or less steel than in 1984.

British steel production has been on a strong – for the steel industry – recovery trend for three years now, mainly because of the improved competitiveness of British producers. Output last year of 15.7m tonnes was 14.6 per cent higher than in 1982. Over the same period, domestic consumption has grown only about 2 per cent.

Viewed over a longer period, however, Britain's steel industry has suffered much more than those of other European countries. UK output last year was 30 per cent lower than it was in 1976 compared with an average 10 per cent decline in the European Community countries as a whole over the same period.

British politicians have often complained that the UK has done more than its fair share in reducing excess steel capacity and production, but others say Britain's steel output has fallen roughly in line with the decline of the manufacturing industries that consume steel. Total manufacturing output in the UK has fallen 4.1 per cent in the past decade, while in the EEC as a whole it has risen 8.3 per cent.

Hazel Duffy on the campaign to bring industrial awareness to the public

Putting a bite into Industry Year

INDUSTRY YEAR is a bit like motherhood and apple pie – good all the way through but a bit bland. This at least was the view of one of the industrialists yesterday at the post-launch reception of the campaign which is designed to make us realise the importance of industry to the nation.

The Duke of Edinburgh, president of the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA), organisers of Industry Year, indicated in his speech that it was a sad commentary on the country which inspired the Industrial Revolution that it should be necessary to explain to the people that "industry matters."

"Any observer from outer space would wonder what on earth was going on," he said. And Sir Terence Beckett, director general of the Confederation of British Industry (CBI), reminded us that every year is industry year in Japan and Germany.

Their opening remarks were not meant to detract from the campaign's importance, more to emphasise its very need. The other speakers followed a similar line. These included Mr Leon Brittan, the Trade and Industry Secretary, looking relieved at being able to deliver an uncontroversial speech, and Mr Norman Willis, general secretary of the Trades Union Congress (TUC), who gave "one of his best speeches for years," according to the correspondent from the Morning Star, the Communist Party's daily newspaper.

A relieved Leon Brittan takes a break from the Westland affair to launch Industry Year.

The glimpse of purple indicating the presence of at least a couple of bishops in the august surroundings of the RSA emphasised the campaign's broad support, which includes educational and professional institutions, women's organisations, as well as the churches.

They also marked the non-partisan nature of the campaign, although Mr Willis did draw attention to the fact that, however poor the standing of industry in Britain, there were at least 3m people who would not mind the chance of working in it.

Industry Year has been in the making for 16 months, and includes a full diary of events. They will take place throughout the country, organised by companies – open days, for instance, for public tours of places of industry – schools, universities, CBI regional groups and so on.

Many of the events will involve children, who emerged yesterday as the innocents who cannot be blamed for the anti-industrial culture (Sir Terence's words) which has grown up in Britain.

Youth, and women, were highly praised in Mr Brittan's speech, and they were one of the few groups who escaped the accusatory finger of the Duke of Edinburgh for those responsible for the present standing of industry. Those who did not included the City of London, intellectuals, academics, workers, governments, Marxists, and churchmen.

And yet it was young people and women who were most marked by their absence in the launch audience, until Sir Geoffrey Chandler, Industry Year director, brought in 15 children, each representing a school linked with industry.

The Industry Year organisers aim to establish such a link with every secondary school (attended by pupils up to 16 years old) by the end of the year. The education and training themes of Industry Year are judged by many senior executives as being the most tangible, as shown by the enthusiastic response of many companies so far.

Industry Year is full of contradictions, not least that many people think in terms of out-dated factory floors whereas it refers to all wealth creation – retailing, the financial sector and service companies, as well as manufacturing.

And if the campaign cannot change in a single year the long-held British attitude that industry is somehow inferior, it is as many speakers said, a start in the right direction.

London's wisdom on gas deal questioned

NORTH SEA gas reserves figures suggest that the Government may have been unwise to cancel a contract last year to buy gas from the Norwegian Sleipner field, says an independent study to be published shortly, writes Max Wilkinson, Resources Editor.

The study, by Mr Jonathan Stern, head of the Joint Energy Project says the decision may prove to be the most important for energy policy this decade.

The Joint Energy project is sponsored by two independent "think tanks," the Policy Studies Institute and the Royal Institute of International Affairs.

Mr Stern says the main reason given by the Government in cancelling the contract between British Gas and Statoil, the Norwegian state oil company, was that UK gas reserves were larger than had been thought.

But, he says, a detailed analysis of the Government's 1985 energy statistics throws doubt on this claim.

The Government had claimed that an additional 176bn cubic metres of proven and probable reserves had been discovered after a reassessment of the North Sea fields.

But only 7 per cent of these additional reserves have been proved to exist. The balance, categorised as "probable" consists mainly of Southern Basin and condensate fields which have not been fully appraised.

Moreover, he says that re-examination of the reserves in the Norwegian Frigg field, from which Britain is now obtaining supplies, suggests that the field could be exhausted by the end of the decade, some four years earlier than had previously been thought.

As a result, a comparatively large number of UK gas fields will have to be brought on stream in the early 1990s.

□ GROWTH in consumer spending picked up in 1985, reaching levels 2.4 per cent higher than in the previous year, according to figures published by the Central Statistical Office. Provisional estimates put consumer spending at £148.6bn in constant 1980 prices, compared with £145.1bn in 1984.

Spending on durable goods, including cars, is provisionally estimated to have been about 5 per cent higher than in 1984. For all other categories of consumer expenditure, the increase is thought in have been about 2 per cent.

□ FINE FARE, the supermarket and household goods chain, is to offer credit cards and instalment loan facilities to its customers. The service will be supplied by Fastline, the specialised consumer credit service recently developed by First Co-operative Finance, the finance subsidiary of the Co-operative Bank.

Credit facilities will be available only for non-food items at 41 of Fine Fare's 260 stores. These sell mainly clothing, shoes, toys, games, and household and gardening goods.

□ WEATHER rather than pollution is the crucial factor responsible for the death of trees in central Europe, British scientists were told at a meeting in London organised by the Foundation for Science and Technology.

Several different tree diseases were apparently synchronised by a common trigger factor, which Prof. Karl Rehfuess, who has the chair of soil science at Munich University, concluded was the weather.

□ EXPORTS of bottled blends of Scotch whisky to the US fell by 53.64 per cent in November compared with 12 months earlier. We apologise for the omission of the words, "to the US," in our report in Wednesday's paper which gave the impression that the fall related to Scotch whisky exports throughout the world. In fact, worldwide exports of bottled Scotch whisky blends in November were 16 per cent down on a year before. In the first 11 months of 1985 as a whole, exports to the US fell 1 per cent compared with January–November 1984, with worldwide exports up 3 per cent.

Conflict remains over Brittan intervention

Peter Riddell, Political Editor, examines the argument over whether the Trade and Industry Secretary put pressure on BAe to withdraw from the European rescue plan for Westland

THE HEART of the Westland affair is whether the Government has been even-handed between the two rescue packages – or whether, as Mr Michael Heseltine alleges, Mr Leon Brittan, the Trade and Industry Secretary, has favoured the Sikorsky/Fiat option in preference to that of the European consortium.

That is why the now contentious meeting between Mr Brittan and Sir Raymond Lygo, the managing director of British Aerospace (BAe) which is a member of the European consortium, matters.

If, as Mr Heseltine, who resigned as Defence Secretary last week, and BAe claim, Mr Brittan did put pressure on the company to withdraw, then he was in breach of the Cabinet's agreement not to take sides. He denies this absolutely.

The series of documents released over the past two days give contradictory views of what happened. On the one hand, there is a letter from Sir Austin Pearce, the BAe chairman, to the Prime Minister setting out Sir Raymond's account, which has now been reinforced by the latter's notes of the meeting recollected and dictated that evening.

On the other hand, there are repeated public statements by Mr Brittan, reinforced by the memory of Mr Geoffrey Pattie, the Minister for Industry and Information Technology, and three officials present, backed up by a Civil Service minute dated January 10, two days after the meeting. This version is shorter and sparser than Sir Raymond's and is written as an official record and not a verbatim account.

There are many points in common. There is agreement that Mr Brittan was expressing a view as a sponsoring minister for BAe and said that it might have been helpful if the company had spoken in him initially. Both versions agree that Mr Brittan said the decision should be left to the shareholders.

According to the official note, Mr Brittan concentrated on his warning that "the nature of the campaigning and the overtones of anti-American sentiment were particularly damaging and potentially could fuel protectionist sentiment in the US."

Sir Raymond agrees that these words were said but, in what was clearly a lively meeting, said that "anyone who suggested that I was anti-American could not have understood the facts. I was married in an American; I have spent more time in the US, including serving in the US Navy, than anyone I suspect present in that room, and that no one could logically accuse me of being anti-American – the truth was quite the reverse."

The key conflict is over what Sir Raymond recorded when Mr Brittan said that "he thought this continuing campaign (by the European consortium) was against the national interest.

"He believed we should have stayed in the background and he would like us to withdraw," Sir Raymond noted. "I was so stunned by this that I turned to the assembled company and said, 'Are you writing all this down?' to which the Secretary of State replied, 'They understand what I am saying better than I do.'

"I said I was now confused because only that morning I had been told by another great department of state that what we were doing was in the national interest. He replied, 'Yes, I can understand, I can imagine which department that was, but I have to tell you that in my opinion that what you are doing could be extremely damaging in you and your business.'

"He said he fully supported the attempt to put together a European solution but that the decision should be left to shareholders," Sir Raymond wrote.

Mr Brittan, backed by the others present from his department, has repeatedly denied saying that what BAe was doing was against the national interest and that it should withdraw. The only reference by Mr Brittan to the national interest was, according to the official minute, when he said: "it was not in the national interest that the present uncertainty involving Westland should drag on."

There is an obvious conflict between the versions and neither side is backing down. The answer may lie in the nature of the meeting. It is clear, even from the official record, that the exchanges were lively.

Sir Raymond closes his account: "We parted with a final reminder, looking at me fixedly, that the DTI [Department of Trade and Industry] was our sponsoring department. The whole meeting was conducted in what I can only describe as an unpleasant atmosphere. I left the DTI and came straight back in the board meeting. It had not been a pleasant experience."

One explanation is that in the heat of the moment the precise words used by Mr Brittan may have been misunderstood by Sir Raymond. However, what matters is the impression given and there is no doubt that Sir Raymond felt that he was being leant upon: Sir Austin says in his letter that his managing director's version has been "borne out by much other information that is coming to light."

Indeed, even if Mr Brittan's denial of specifically urging the company to withdraw from the consortium is accepted, as most Tory MPs are prepared to do, he does appear to have been putting pressure upon BAe at the meeting to judge by the company's later reactions.

Sir Austin drew a link between the meeting and Sir Raymond's earlier discussions at the DTI with Mr Pattie on Airbus Industrie's proposals for a new programme, that is, the development of the European Airbus in which the UK Government is closely involved. Sir Austin says: "The connection is worrying to say the least. Whatever the words used were meant to convey, the message was perfectly clear."

Sir Austin also referred to previous meetings with the department at which complaints were made that BAe had not consulted the DTI before getting involved in the consortium. Sir Austin had noted at one of these meetings before Christmas that BAe was now a fully privatised company.

Therefore, if the conflict over the precise words used is put to one side, there remain unanswered questions about the impression given by Mr Brittan. Even if he did not intervene specifically to urge the company to withdraw, he appeared to be pressurising the company in the eyes of an ex-admiral and experienced businessman whose organisation has much to lose by alienating the DTI.

Several senior ministers believe Mr Brittan was mistaken to hold such a meeting at such a delicate time as well as to allow such an ambiguous impression to arise. But Mr Brittan still insists that he had a duty to warn BAe of the dangers of the US reaction.

Sir John finds a friend in his hour of need

BY LIONEL BARBER

FOR THREE days it was one of the best-kept secrets in the City of London. The emergence yesterday of Hanson Trust as the mystery buyer of shares in Westland lends a new twist to the political and financial drama which has gripped Britain's sole helicopter maker.

On the surface, the entry of Hanson Trust, an aggressive UK conglomerate with a taste for the big takeover battle, into the Westland affair makes little sense. As one institutional investor in Hanson remarked yesterday: "Helicopters hardly fit into a bricks, batteries, shoes, garden tools and hot dog business."

Hanson has plenty of distractions at the moment. There is the small matter of a £1.8bn hostile takeover launched last month for Imperial, the brewing and tobacco group, which is trying to merge with United Biscuits, the snacks and confectionery business. It was only earlier this month that Hanson emerged victorious in its $930m bid for SCM, the US chemical coating and typewriter business after a bloody battle in the US courts.

Yesterday, Hanson modestly described its 14.9 per cent share stake in Westland as a "long-term investment" in a letter to Sir John Cuckney, Westland's chairman, Lord Hanson, chairman of Hanson Trust, also explained that one of the company's subsidiaries, Air Hanson, a Weybridge-based helicopter operator formed in 1973, had for many years had operational arrangements with Westland and Sikorsky (the US helicopter maker which along with Fiat of Italy has put forward a rescue plan favoured by the Westland board).

Few analysts in the City of London believe that Lord Hanson's motives can solely be explained by his declared interest in the future of Air Hanson. They pointed to the tone of Lord Hanson's letter to Sir John which ends: "With very best wishes for your endeavours. Sincerely, James."

For five long weeks, Sir John Cuckney has fought a battle inside the Government and the City of London to gain approval for the Sikorsky/Fiat rescue plan in the face of a rival offer put forward by the British-European consortium, led by British Aerospace. The entry of Hanson Trust is a signal that Sir John has found a friend in his hour of need.

Hanson itself declines to say which way it will vote at today's extraordinary general meeting of shareholders at the Albert Hall in London. Mr Martin Taylor, a director, also denies that Hanson's late entry involves any political motives.

However, Lord Hanson is a long-standing admirer of Mrs Thatcher and a fierce opponent of government intervention in industry. There is no evidence to suggest that he differs from the Prime Minister's stated view that the company's future is the responsibility of the board and its shareholders. And Lord Hanson, shareholder, is well placed to determine that future.

Last weekend, there were doubts within the Westland board and among its financial advisers, Lazard Brothers, as to whether they could muster the 75 per cent majority vote from shareholders in push through the Sikorsky/Fiat rescue.

Mr Alan Bristow, the former helicopter operator who launched an £89m City consortium bid for Westland last summer and then abruptly dropped it, had declared a 12 per cent share stake against Sikorsky/Fiat; so too United Scientific Holdings, the UK defence contractor, holding almost 5 per cent.

Over the next three days, Hanson Trust paid more than £10m for its near 15 per cent shareholding. On the surface, the share block does not appear to be enough to swing the vote at today's meeting in the Westland board's favour. The European consortium is confident that it holds between 27 per cent and 28 per cent of the shares, more than enough to block the Sikorsky/Fiat deal.

If the shareholders' vote today should fail, Sir John has said that he has "a number of contingency plans." Perhaps foremost is to change the two special resolutions in favour of the Sikorsky/Fiat rescue to ordinary resolutions which would only require a 50 per cent majority.

Special resolutions are usually required under the terms of a capital reconstruction which involve the conversion of debt owed to banks into preference capital. Any change would depend on legal advice, agreement of the banks, and, presumably, a majority of the shareholders. Here Hanson Trust could play a decisive role.

There is a second reason why the Hanson factor could prove decisive in the Westland affair. The European proposal to take a 29.9 per cent minority stake in Westland faces formidable obstacles should it be put to the vote and conceded.

As one analyst commented: "The Europeans could be running a company with a dissident board and an obstinate shareholder, not exactly the recipe for a successful future."

Tory MEPs vote for European rescue plan

BY QUENTIN PEEL IN STRASBOURG

BRITISH Tories in the European parliament yesterday defied Mrs Margaret Thatcher, the UK Prime Minister, and voted for a European solution to the financial crisis at Westland.

They joined a large multi-party majority in the assembly, from left to right, in calling for "an effective European solution" for the company's capital reconstruction.

The British Government was heavily criticised by MEPs for its failure to promote actively a European rescue in accordance with its commitment to a European defence procurement policy.

The assembly voted by 180 votes to 21 for the resolution tabled by members of the Socialist, Christian Democrat, Conservative, Liberal, Communist and Gaullist groups.

Thirty-one British Conservatives voted in favour, with only one against and two abstaining.

The only significant opposition came from British Labour members.

The parliament implicitly attacked the Sikorsky/Fiat plan to rescue Westland as contrary to the objective of "increasing independence from US industrial control," according to the final resolution.

Searle pulls out of British drugs research

BY TONY JACKSON

G.D. SEARLE, the US drugs company, is to pull out of drug research in the UK with the loss of 300 jobs at High Wycombe, Buckinghamshire, north-west of London.

The move forms part of a worldwide reorganisation, costing 500 jobs in all, after the takeover of Searle by the US chemicals group Monsanto last year.

Searle UK said, however, that the High Wycombe closure was chiefly due to the "incredible pressure" put on its business by the UK Government.

Searle said that in its price negotiations with the Department of Health and Social Security (DHSS) in recent months it had received "no recognition" for a £20m manufacturing plant completed at Morpeth in Northumberland last year. Mr Brian Tempest, managing director of Searle UK, said: "That was our US parent's major new investment worldwide in chemical manufacturing plant. We have got no credit for it."

The DHSS said: "The department greatly regrets this action. Officials are still in correspondence with the company on its National Health Service (NHS) prices. So far, our understanding is that the factory at Morpeth is being used primarily to manufacture for export, and we have not, therefore, been able to accept the capital and revenue costs as a proper charge in NHS prices."

Mr Tempest said: "The DHSS have told us that we not only have excess assets for the purpose of working out prices, but we also have excess research and development expenditure. This is a sad day for England."

Searle is one of a number of US drug companies which have announced closures or cutbacks in recent months as a result of Government pressure to save money on the NHS drug bill.

Warner Lambert has closed its factory at Eastleigh in Hampshire with the loss of 400 jobs, while Wyeth has cut 250 jobs at various sites around the country. Another US drugs company, A.H. Robins, abandoned UK drug manufacture last month with the sale of its recently-completed Horsham plant to Glaxo.

Searle's site at High Wycombe, established 28 years ago, comprises the UK headquarters and pre-clinical and clinical research establishments.

BRITISH & COMMONWEALTH SHIPPING FUNDS BERMUDA-BASED VENTURE

Cayzer group goes into commodities

BY CHARLES BATCHELOR AND ANDREW GOWERS

BRITISH & COMMONWEALTH SHIPPING (B&C), the diversified transport and financial services group headed by Lord Cayzer, is putting nearly $40m (£28m) into a new commodity trading venture managed by three former executives of Salomon, the large US commodities and investment banking group.

The creation of Kaines Holdings, a Bermuda-based group, and its London-based operating subsidiary, Kaines (UK), represents the first major move by B&C since Mr John Gunn, former chief executive of Exco International, the money broking group, joined the company last November.

The new company plans to trade a range of petroleum products, metals and soft commodities such as sugar and cocoa for its own account, as well as offering trade finance services, such as counter trade and forfaiting. There are no plans to trade grains.

Kaines plans to develop a position in specialist niches of the main commodity markets rather than covering the full range or aiming for big trading volumes. It will not act as a broker for others or operate directly on the futures markets.

Head of the new venture is Mr Julian Lee, 40, a long-time associate of Mr Gunn and a former senior executive with Philipp Brothers, Salomons' troubled non-energy commodity trading arm.

Mr Lee and his two fellow executive directors are among a large number of senior managers to leave the Salomon group over the past five years.

Only last October Salomon said it was shedding a further 600 jobs in its commodity operations as part of its retrenchment after the downturn in world commodity markets.

Kaines plans to keep costs down by centralising its activities at its Loodon headquarters and not building up an extensive network of overseas offices or going into downstream activities such as processing. It bas a start-up staff of three people but it hopes to have up to 100 dealers and support staff by the end of 1987.

B&C started out as a shipping company but has since diversified into aviation and financial services.

First imports of French electricity start

BY MAURICE SAMUELSON

THE FIRST imports of French electricity antered Britain yesterday afternoon. They marked the first successful use of the 45 kilometre link on which work began 4½ years ago. The £760m, cost is being shared equally between the Central Electricity Generating Board (CEGB) and its French counterpart, Electricité de France (EdF).

The CEGB said that, as France already exchanged electricity with all its neighbouring countries, this meant that the UK was now linked into the European electricity network.

When the link was switched on yesterday, some 75 Mw flowed through the cables for the first 12 minutes, before settling down to 50 Mw for a few hours. The link is due to be finished by the end of this year, when it will be able to carry 2,000 Mw equal to the output of Britain's biggest coal-fired power stations.

Such power stations typically consume 10m, tonnes of coal a year, but since the link will initially be used to replace oilfired power stations in southern England, the loss of coal sales to power stations will be less.

The link was conceived as a way of enabling both countries to save money by taking advantage of tariff variations during their different peak demand hours. But because of France's cheaper nuclear capacity, the sale is now likely to be all one way.

Under the trading arrangements for the first 1,000 Mw, EdF will sell the CEGB electricity for two years at up to 25 per cent cheaper than the average generating cost in the UK. Terms have yet to be agreed on the second 1,000 Mw.

Mr Gil Blackman, CEGB board member, said the link would not only bring significant cost savings for electricity users in England and Wales bot would also increase the security of supplies in Britain and France.

The link, between Folkestone in Kent and Sangatte near Calais, consists of four pairs of cables, two British and two French, buried 1.5 metres beneath the sea-bed.

At each end of the link, et Sellindge in Kent, and Les Mandarins in France, the direct current is cooverted into the alternating current used on eacb country's supergrid.

The CEGB expects the first power flows through e second pair of cablas oext month

Airports flotation expected to raise more than £500m

BY LYNTON McLAIN

THE GOVERNMENT yesterday published its bill to privatise the British Airports Authority (BAA). City of London analysts say the flotation could raise over £500m.

The airports bill calls for the BAA to be formed into a public limited company, to operate as e holding company taking in other companies formed for each of the authority's seven airports. These include Heathrow, the world's busiest international airport, and Gatwick. The other BAA airports are Stansted, the Governmeot's choice for London's third airport; Glasgow, Edinburgh, Prestwick and Aberdeen.

Sixteen airports each with a turnover £1m a year owned by local authorities in England and Wales are also to be made into public limited companies. This is to "distance them from their local euthority owners and to place them on a more commercial footing," Mr Nicholas Ridley, the transport secretary said in a written statement yesterday.

The local authorities will not be forced to introduce private capital into the new airport companies, but the Government will encourage them to do so.

Mr Ridley described the BAA as a "highly successful nationalised airport," to be released from the constraints of state control through the proposals in the bill.

The BAA made a pre-tax profit of £63.9m in 1984-85, a rise of 38.9 per ceot, on a turnover of £361.6m. BAA airports handled 51.6m passengers last year.

Mr Michael Spicer, the Parliamentary Under Secretary of State at the Department of Transport, speaking in Mr Ridley's absence in Paris, said yesterday: "The airports authority will be free to develop capital and investment programmes without permission from the Government. Local authority airports will no longer be subject to public spending controls."

A cootroversial aspect of the bill is the cootrols the Government has proposed to stop the BAA and local authority airports exploiting monopoly positions, such as on aircraft landing charges and duty free shops.

Mr Spicer said the Government was aiming for a pricing policy that was neither predatory (designed to unfairly attack competing airports) nor monopolistic. "We are clear that a balance can be struck between the two."

"The precise formula on economic regulatioo has yet to be decided," be said. All airports above a certain size will be subject to "economic regulatioo."

Ridley in Paris for final talks in Channel

BY ANDREW FISHER IN LONDON AND PAUL BETTS IN PARIS

MR NICHOLAS RIDLEY, the UK Transport Secretary, was in Paris yesterday for final talks with Mr Jean Auroux, his French counterpart, to iron out problems in the way of a joint government decision on a fixed link across the English Channel.

French and UK government officials hoped the talks would clear the way for the announcement at Lille on Monday by Mrs Margaret Thatcher and President François Mitterrand of the winning scheme.

The French continue to back either the rail tunnel project of Channel Tunnel Group (CTG) or the more costly EuroRoute bridge and tunnel scheme.

This is because both involve large French industrial groups, unlike the cheaper Channel Expressway rail and road tunnel scheme of Mr James Sherwood, head of Sea Containers and Sealink UK ferries.

CTG has ruled out co-operation with EuroRoute along the lines suggested by the latter's chairman, Sir Nigel Broackes. Yesterday, Channel Expressway said it was still confident of winning and had lined up top French companies to participate.

Mr Sherwood wrote to Mr Ridley before he flew to France, detailing new support for his scheme. CTG and EuroRoute have said Channel Expressway would cost far more than stated and have severe ventilation problems in its road tunnel.

EuroRoute has been increasingly seen as an outsider in the UK, because of its high cost and lack of acceptability to environmentalists. But it has support in some French Government departments.

City examines need to keep in step with world equities

BY ALEXANDER NICOLL

A WORKING party meets for the first time today charged with one of the most urgent and delicate tasks facing practitioners in the City of London's securities markets ahead of the revolution in trading methods due to take place later this year.

The 10-member group has been appoioted jointly by the London Stock Exchange and the International Securities Regulatory Organisation (Isro). Their purpose is to explore whether British stockbrokers can work with international dealers based in London to form jointly a market in globally-traded sbares that will meet the tougher regulatory standards coming into effect at the end of the year.

If they fail, London faces the prospect of entering the new era with fragmented systems for trading in one of the world's fastest-growing securities sectors – including the market for shares in Britain's own largest companies.

Much of the debate about the City's "Big Bang" changes has revolved around the restructuring of domestic mechanisms. But the shape of the world's equity business has, meanwhile, changed. A telephooe market has been developing in which sbares of the world's biggest companias are traded across borders, betweeo time zones and, crucially, eway from established excbanges.

London is an important centre for this type of business. The stock exchange, after introducing new trading systems, is in danger of finding that business in the most active and liquid shares takes place on a rival system.

The key point is that globally-traded shares include those of the largest British companies. Business in some of them is often said to be greater in New York than in Loodon. British brokers naturally want to ensure that trading in these shares does not slip further away from them, while international dealers want to secure competitive means to trade them in the new City structure.

The most delicate issue therefore, will be whether a joint venture to trade international equities would encompass British company shares.

Isro, headed by Mr Ian Steers of Wood Gundy, itself faces pressing demands in order to fit in to the new regulatory structure. It was founded last year as a self-regulatory body to deal with the buge London-based capital markets which fall outside the stock exchange. Most of these are apparently being dealt with relatively painlessly with the designation of the Association of International Bond Dealers as a Recognized Investment Exchange (RIE). This is the term in the new City format for a securities market with price display, clearing and settlement facilities.

Equity dealing poses a greater problem for Isro. Dealers in globally traded shares must virtually start from scratch to introduce price dissemination and clearing systems which will satisfy the Securities and Investments Board, the regulatory overseer.

They could adopt one of several trading systems which are available – the Toronto Stock Exchange, for example, has a computer-assisted trading system through which it has a link with the American Stock Exchange in New York, and which it has separately sold to the Paris bourse.

But time is of the essence, since systems must be in place by the end of the year. Meanwhile, another contender is appearing in London in the form of Instinet, the US automated trading network. Reuters, the information group, has been appointed to market the system in Europe, and Instinet screens are understood to have already been installed in London.

The most logical solution would clearly be for the stock exchange and Isro to shelve jealousies and differences, and jointly set up a RIE which introduced the liquidity afforded by the international dealers into the stock exchange's price display and settlement systems.

Achieving this will be a difficult task for the working party, given the sensitivities involved. But its members, including senior figures from some of the world's top dealing firms, appear to be of a stature that will ensure that their recommendations will carry weight.

The stock exchange is trying to keep bold of international business. Last year it allowed member firms to set up international dealing subsidiaries able to act as principal and an ageot without fixed commissions – as non-members do now and as all will be able to do after Big Bang. They and other dealers display prices on the Stock Exchange Automated Quotatioo system, Seaq International.

TURKEY'S FOREIGN POLICY

Still firmly anchored to the West

By David Rudnick

TURKEY'S role as a firm ally of the West is the keystone of its foreign policy, transcending intermittent strains in its relations with the US and more serious misunderstandings with some European partners.

Turkisb foreign policy, viewed in purely strategic terms, follows logically from the country's axposed position on a Nsto front-line bordering the Soviet Union and Bulgaria. Apart from the priority eccorded to relations with Wasbington, Turkey's closest relationship is with West Germany, another front-line state.

The Turks are not averse to reminding their allies on occasion of their strategic value, especially now that political developments in neighbouring countries have emphasised Turkey's relative stability. Compared with the seething cauldron in the Middle East, Turkey is s "still centre" of solidity, wbile the radical stance and maverick initiatives of Mr Andreas Papandreou, ths Greek Prime Minister, have given his country a more volatile image, and made it easier for the Turks to counter the Greek lobby in Wasbington.

The liberal, free-market policies of Mr Turgut Ozal, the Turkish Prime Ministar also eppeal strongly to Washington. One American newspaper described Mr Ozal as "the developing world's closest spproximation to Ronald Reagan."

But Turkey's relations with the US are not all a bed of roses, Mr Ozal has recently attacked US protectionist measures against Turkish textiles and steel as hypocritical coming from a self-proclaimed bastion of economic freedom, and particularly unfair since Turkey runs a sizabls trade deficit with the US ($650m in 1984). Mr Ozal demanded more trade, rather than more aid.

Turkey is, nevertheless, asking for a significant increase in US military aid over that currently provided under the bilateral Defence and Economic Co-operation Agreement wbicb expires on December 18. Overall, Turkey ranks third after Israel and Egypt as a recipient of US ald, but much more cash is needed to modernise and re-equip the Turkisb armed forces, the second lsrgest in Nato.

For fiscal 1986 the Reegan sdministration secured—after the usual Congressional reductions—$714m for Turkey'e military needs, but the Turks, supported by the Pentagon, argue they need $1.2bn annually for a decade. According to some reports, Turkey's European allies, led by West Germany, may provide some of this.

The Turks set great store by their European connections; they regard their membership of the Council of Europe, with all its irritations, as a badge of their European identity end a stepping-stone to ultimate EEC membership.

The goal, however, is a long way from realisation for both economic and political reasons. Turkey's per capita income remains well below that of the poorest EEC member state, and Turkish industries (with the possible exception of textiles) are still too small to withstand unfettered EEC competition. Turkey's 20-year-old agreement of association specifically envisiooe eventual Turkish membership of the Community, but the ministerial and parliamentary committees it established have not met for five years. Turkey stopped making preparatory tariff cuts eight years ago, and the EEC is unable to honour sn undertaking to allow the free migration of Turkish workers around the Community from 1986.

These unresolved issues are aggravated by disputes arising out of Ankara's demand for freer market access for Turkish textiles and its resentment at the continuing four-year han on EEC aid imposed because of concern at Turkey'e buman rights record under the former military regime.

The etmospbere between the EEC and the Turkisb Government becama particularly strsined in June, when Turkish police legislation was under consideration. The Community's representative in Ankara, Mr Gwyn Morgan, bas since spelled out the EEC's conditions for unfreezing the agreement of association and resuming ald to Turkey. The Government would bave to terminate the long-running trials of trade unionists and peace campaigners, and permit complete freedom of political association — including trade union msmbership.

Turkish Foreign Ministry officials insist that substantial improvements in human rights have occurred; over 100 security officers implicated in torture charges have been imprisoned. The EEC, it is claimed, is using buman rights as a cloak to avoid discussion of the awkward economic issues which should really be addressed.

The Turks tend to perceive the European Community as essentially the European wing of Nato; they are baffled by its insistence that it is not s defence community.

When the agreement of association was originally drafted in 1964, discreet American pressure contributed to the idea of eventual full membership, since the US has never been anxious to see its relations with Turkey become too overtly bilateral.

Turkey's relstions with the other super-power are correct but restricted in scope. Ankara pragmatically accepts some economic aid and Soviet electricity supplies, but Communism is not tolerated in Turkey. Relations with neighbouring Bulgaria are strained by Sofia's nationalistic policy towards its Turkish minority, but Turkey pragmatically pursues normal, and profitable, economic relations.

Turkey has so far kept studiously aloof from the conflicts of the Middle East. Its neutrality in the Arab-Israeli dispnte is tempered by concern et the dangers posed by the festering Palestinian problem.

Turkey generally feels more at ease with the conservative, western-oriented Arab states, but with Libya there is a surprisingly amicable relationship originating in Libyan support for Turkey during the 1974 Cyprus crisis.

Good relations with Syria are not belped by the terrorist attacks occasionally launched by Kurdish nationalists on targets in Turkey from Syrian bases.

Islam provides a common link which gives both Turkish companies and guest workers a distinct advantage in the Arab world. In Turkey it is certainly a strong cultural force—Islamic banks have opened recently and attracted some mattress money from the faithful. But Islam's political clout remains very limited, held back by the secularisation imposed by Kemal Ataturk and practised rigorously by the bureaucratic and military elite.


Turgut Ozal, the Premier

Turkey remains firmly anchored to the West, despite the difficulties it is experiencing and its complaints of rejection by Europe. Turkisb hopes of eventually joining the Europeen Community depend for their fulfilment on attracting foreign investment. That is needed to finance the growth that might bring Turkey up to a level approaching West European standards. But considerable political, as well as economic, evolution will also be necessary.

A concerted effort is being made to diversify employment to recoup the jobs lost from manufacturing. However, local government reorganisation has restricted the town's ability to respond to pressures for modern industrial space.

Stevenage

AROUND BRITAIN

Report by ALASTAIR GUILD

Coping with the problems

STEVENAGE, in many ways, has been e pioneer. Designated in 1946 as the first of eight new towns to ring London, it was planned and built with e cycleway system, and a road traffic system without traffic lights. Its residential, commercial and industrial areas are strictly defined, with industry based away from housing end close to roads.

The first new town also to mature from being a synthetic product of legislation to a natural living and working community, it has suffered from the effects of the recession like many other new towns of its size, dependent on the subsidiaries of major national companies.

Between 1980 and 1983, 1,800 jobs were lost, most of them in manufacturing, due to the closure of branch plants.

Others, such as Platignum and ICL, though continuing to operate locally, shed labour. The pen-making side of Platignum has since left, with the plastics division remaining.

Stevenage also illustrates the special problems of a mature new town. The young working people attracted there in the 1950s and 1960s will soon be reaching retirement age. They will need to be catered for by a town hitherto largely geared towards the needs of families and young people.

There is now, in addition, a major peak of people in their late teens and early 20s. Nearly half of Stevenage's unemployed are aged under 25 and one in seven is aged 18 or under. Young people have generally been worst affected by "last in, first ont" redundancy arrangements and the reduction in the number of apprenticeships.

Tha job needs of this second generation of residents are different from those of the current workforce, which reflect Stevenage's traditional industrial base of manufacturing industry.

Yet, while the recession bas hit some of the town'a secondary industries, its dominant employer, defence, has remained reletively buoyant. Employment levels at British Aerospace, which provides one-fifth of all jobs in the town, have remained steady. BAe's army weepons division now employs 6,900 at its 85 buildings throughout the town, with the space and communications division employing an additional 1,850.

Trainees

The company takes on over 120 local trainees each year, for a four-year period, retaining 75 per cent of trainees for two or three years after the initial training period.

BAe makes significant contributions to the local economy in other ways. In the first half of 1985, for example, the army weepons division spent some £5.5m locally on goods and services. The space and communications division spent a further £4.5m locally.

It is recognised, bowever, that even a company the size of Britisb Aerospace cannot be expected to make much of an inroad into unemployment levels in the town. The latest figures abow 9.8 per cent out of work, compared with e peak of 12.6 per cent in 1982. The town instead has taken steps of its own to try to reduce the jobless total.

There have been a number of youth training initiatives to ensure that young people are better prepared for work offered by, for example, those technology-based companies attracted to the town. These have been promoted and organised by, among others, the MSC, Stevenage Youth Training Scheme and tha Stevenage Information Technology Centre.

SITEC runs short training courses on various aspects of basie electronics to equip trainees to work with microcomputers. Of those 72 SITEC trainees completing courses since April 1987, 77 per cent have left to start full-time jobs, with 8 per cent going on to further education.

More attention is also being paid to adult training. For example, Midtech, launched in May last year, uses open learning techniques for retraining with an emphasis on technology-based skills.

There have been a number of recent moves specifically designed to broaden the base of the local economy. A seed capital fund of £25,000 has been set up by the borough council to be managed by Stevenage Initiative, the local enterprise agency, while the council is discussing with a number of agencies the possibility of a local venture capital fund.

The town has also recognised the need to make evailable suitable sites for development. Several of the premises and sites left vacant with the closures of the early 1980s are currently available, with potential for a variety of industrial end commercial uses.

To meet the demand for new sites, over 55 ha of greenfield land has been identified for all types of development, ranging from 20 ha down to sites of 0.2 ha.

During 1984 and early 1985, a number of other developments were announced which will create local jobs in retailing and other less skilled areas. These include three shopping developments, with the prospect of over 500 net jobs created.

These developments should also belp Stevenage keep its place with Watford as one of the county's subregional shopping centres, a position otherwise under threat from new stores in St Albans and Welwyn Garden City.

With good access to the motorway network Stevenage has also attracted a number of distribution operations. The town's links with London will be further enhanced by completion of the M25.

According to Mr Stephen Catchpole, the borough council's chief executive, attempts to foster development and create employment opportunities in the town have been hampered by the council's lack of control over land and buildings.

"We would like to have seen assets transferred to the council when the development corporation was wound up in 1980. We do not own the town centre's retail assets or the industrial estates. So the council has had to work harder through the planning process to encourage development, without being able to put packages together."

The Commission for New Towns, which was given the responsibility for realising the assets it took over from the development corporation in 1980, now has one third of its total town centre holding left. All prime shopping sites have been sold, to insurance companies and pension funds, and it is seeking to sell the remaining secondary shopping to existing tenants.

It has sold 10 acres of its industrial portfolio, with more than 60 acres still available. According to CNT, the industrial property sector is still getting over the closure of Bowaters, Kodak and ICL which together left 1m sq ft of built space vacant.

Mr Catchpole says that pressures on and within Stevenage can only increase, particularly as land values along the M25 escalate. "But as a result of local government reorganisation, Stevenage is a very closely defined area, surrounded by Green Belt. The relatively buoyant Hertfordshire economy has tended to obscure Stevenage's particular problems," he says.

"In the short term, it may be possible to make better use of existing sites in the town, for instance. In the long term, there will have to be a rethink of how Hertfordshire is to respond to these pressures."

Hugh Routledge

Stephen Catchpole, borough chief executive: seeks a rethink on the pressures facing the town

More companies arrive

LAST YEAR Stevenage reaped considerable rewards from its efforts to attract further investment in high technology industry.

For example, Marconi Instruments, which set up its microwave division in the town in 1965, announced plans for a new £4.5m, 80,000 sq ft laboratory and manufacturing plant, next to its existing Stevenage facility. The company expects that 100 of the 120 staff required for the new plant will be recruited locally. The workforce on its existing Stevenage site is 159.

The latest development, to be completed in the first half of 1986, will include a new 4,500 sq ft thin film laboratory aimed at meeting increased worldwide demand for products in the higher microwave bands.

By June a £70,000 British Telecom Megastream communications system will link the new plant at Stevenage and Marconi Instruments' headquarters at St Albans.

Capable of meeting current demands for the transmission of technical and commercial data and speech between the two sites, it will also offer spare capacity for future expansion at the site.

In May last year, Wiltron moved its UK subsidiary's Research and Development and manufacturing effort to the town. By the late 1970s, the parent company had found that market needs varied considerably between the US and elsewhere, making it essential to create closer contact between its engineering and manufacturing operation and the European market place.

High technology

So in 1983, Wiltron established an R and D facility in Melbourn, south of Cambridge, to develop a replacement for its Model 640 radio frequency analyser first introduced in 1976. Output from the team of seven soon outgrew the Melbourn site, and the company decided it needed a purpose-built plant to manufacture the new product.

The first phase of Wiltron's Stevenage development, on a four-acre site bought from the borough council, will cost £2m and be built over 2½ years. Once the £4m Phase II is complete, the plant will cover 90,000 sq ft.

The company currently employs 13 in manufacturing and expects that number to grow in the next two years by more than 100. Sixty per cent of those involved in the production of the new 6400 analyser and other microwave test instrumentation will be semi-skilled and 40 per cent skilled.

"We were attracted to Stevenage both by its transport communications and by its proximity to 1m people in Stevenage itself and in the five surrounding towns," says Mr John Pink, managing director.

"We looked at other new towns, but they are struggling to get past the 100,000 mark. Any electronics company moving there would have to draw in workers from a long distance, whereas Stevenage has the skill levels we need, both for our own recruitment and to support the components we buy-in.

"Wiltron does compete with other high technology companies for good engineers, but as more of these companies are attracted to Stevenage, so skill levels will rise."

The company estimates that 80 per cent of sales of the 6400 analyser will go overseas, with 40 per cent going to Japan. It will be expected to be a profit generator independent from the parent company, with annual turnover expected to rise from £2m last year to £4.5m within three years.

Strong incentive to create jobs

Employment

THE JOB losses of the early 1980s taught Stevenage one thing above all else, that the town could no longer rely exclusively on employment from outside.

Most of the 1,800 jobs lost between 1980 and 1983 were in manufacturing, with smaller losses in services. The decline in manufacturing of some 10 per cent was due to the closure of such operations as Bowaters and Kodak while other companies continuing to operate locally also shed labour.

Though the recovery in employment since then has occurred largely through new companies coming into the town, a number of local initiatives over the past three years have started to make inroads into the jobless total. One of the primary aims behind the borough council's latest employment plan is to co-ordinate training and job creation.

In 1982, the town's Employers Group set up the Stevenage Initiative which now has close links with Stevenage Youth Training Scheme, for example. The Initiative is conveniently based in one of the town's largest complexes for starter businesses.

One of SI's main functions has been to advise those wanting to set up their own business. Since 1983, it has developed with Hatfield Polytechnic a programme starting with a general open forum organised with the local chamber of commerce. Speakers on law, banking, and insurance, and successful businessmen, point out the pitfalls involved in starting a business.

At one-day sessions, organised with MSC help, people aspiring to run businesses work through elementary exercises to give them an idea of cashflows through a business. Prepared case studies pinpoint the areas that need careful attention in the formative stages of a business.

A self-employment course, also MSC-supported, covers sources of finance and management skills needed by an owner/manager.

With the help of Mr Richard Parkhouse, a bank manager on secondment from Barclays, SI gives advice on financial planning and helps prepare a business plan for someone with what it considers a sound business idea.

The borough council and the EEC Social Fund support SI's workshops advising existing small to medium-sized businesses on developing a marketing strategy.

The Initiative also manages a £25,000 fund set up in 1984 to provide seed capital for small businesses setting up or wanting to develop. The fund is generally limited to £5,000 for any one investment. Though managed by the Initiative, an investment panel takes the final decision on any proposition. The fund so far has approved five investments.

SI's director, Mr Bob Hamill, on secondment to the Initiative from ICI since late 1983, hopes that local pension fund managers might join forces to launch a local venture capital fund.

Modest injections of capital from outside funds are generally hard to come by, he says, because of the disproportionate costs to a fund of investigating small to medium-sized businesses. "That is where we will have a rôle, in the initial investigation work for a fund."

SI is also helping local businesses to benefit from the presence in the town of large companies such as British Aerospace and Du Pont. It recently organised a "sellers-meet-buyers" event. These companies talked of what products and services they were buying from outside. BAe, for example, was using a giro guide motor made in Japan but wanted to buy locally.

SI identified three Stevenage companies on its data base which potentially could supply the part. BAe is now buying from one of these companies.

The Initiative is itself based in the Business and Technology Centre, formerly a Control Data plant making computer printers. When the company closed the plant in 1983, 200 jobs went. The closure came at a sensitive time for the town, with Kodak having recently taken the decision to move out.

The centre, established by Control Data, is based on a concept first tried by the company in America. It is subdivided to provide units from 100 sq ft up to several thousand sq ft. Firms license as much as they need for as long as they need. Facilities such as rates, heating and telephone equipment are included in the licence fee. Other services, including word processing or the use of an electronics laboratory are available on a pay-as-you-use basis.

The total of jobs lost by the Control Data closure was passed last June by the number created by businesses using the centre, with 29 companies having already outgrown the centre and 10 failed.

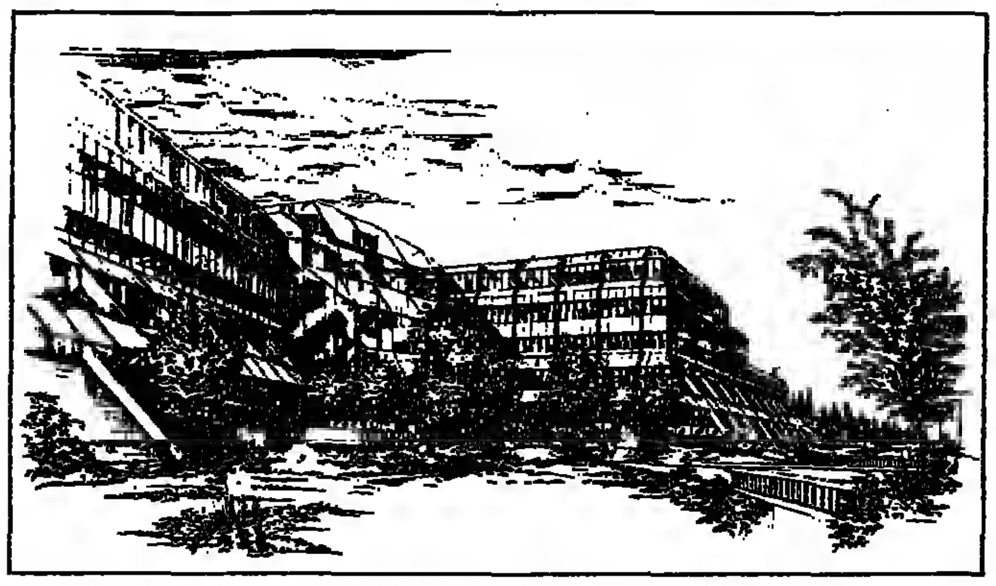
Seventy per cent of the 86 businesses currently using the centre are in the professional, services or office sector.

JOB TRAINING initiatives in Stevenage have attracted attention from some unusual quarters. On a recent visit to the town's youth training scheme, for example, Mr Leonid Rybakov, Soviet Trades Union Commissar for Youth Training, is reported to have said: "We have nothing like this in Russia, and I congratulate you on your standard of training."

The figures speak for themselves: all those trainees who completed their YTS year in May 1985 were found jobs.

Two years before, training and employment prospects for schoolleavers were bleak. The town had the highest unemployment rate in the South East.

Then the council purchased a redundant school, now the home of Stevenage Youth Training Scheme. The council, local employers, trade unions and education authorities formed a consortium to set up and operate the programme.



The striking new Confederation Life building with its flying buttresses and atrium is expected to accommodate 770 people by the end of the century

Boost for job market

Insurance

INSURANCE COMPANIES are providing an increasingly welcome diversity to employment prospects in Stevenage. The current workforce reflects the town's formative industrial base, but many of the second generation of residents to have come on to the job market in such large numbers recently have very different aspirations and needs.

The insurance companies will also provide a welcome boost, no doubt, to what has so far been a relatively flat property market in the town.

Manufacturers Life Insurance Group was the first to move its UK headquarters to Stevenage. The group's parent, a mutual company operating internationally out of Canada, was incorporated in 1887. It has been established in the UK since 1925. At the end of 1984, its assets worldwide exceeded £6,000m and new premium income amounted to £1,128m.

The main reasons for its move to Stevenage in 1973 were:

- The high cost of having headquarters in London. The company's international investment office is still based in the City, currently managing assets of more than £800m;
- Stevenage provided improved access to the group's network of branches;
- An improved rail link gave easy access to the international investment office in the City;
- Housing was available to staff at lower cost;
- Commuting is avoided, giving staff more leisure time as well as easier access to the countryside.

At first, the group occupied only 3½ floors of the seven-floor building, employing 130 people. Today it employs 295 with further job opportunities increasing steadily.

It has acquired the remaining tenant-occupied floors as leases have expired. It has also purchased land in the town's science and technology park to develop a two-storey building to provide an additional 34,000 sq ft.

This is being built by Hunting Gate, a local contractor, and will house training facilities for office and sales staff, a studio for the production of audio/visual material, a reprographics unit and the group's central records and supply departments. The new building will be ready for occupation by August 1986.

Provident Mutual has had a presence in Stevenage since 1977 with about 300 employed in 62,000 sq ft of offices. The company also occupies 64,000 sq ft in nearby Hitchin, though, like ManuLife, it retains an investment department in the City, employing 70. It has established a direct computer link between Stevenage, with its administration, marketing and sales management operations, and the London office for the transmission of unit prices and accounting information, for example.

The company has outline planning permission for a further 95,000 sq ft of office space in Stevenage, though it has no definite expansion plans at present.

"We moved to Stevenage because we ran out of space for expansion in Hitchin," says Mr Barry Richardson, Provident Mutual's chief executive. When Singer pulled out of computer manufacturing it vacated its Stevenage site, a mixture of light industrial and office space. Since moving in, Provident Mutual has refurbished part of what was industrial accommodation for offices. "We bought the building for much less than it would have cost at the time to build from scratch," Mr Richardson says.

North Hertfordshire, he says, has good communications links. The company has always had a well-established business in the area.

"We recruit a lot from local schools, this year taking 35 school-leavers. We offer training in actuarial skills and other areas, such as systems work and computers. We also sponsor up to six students each year from the North Herts area to read mathematics at university."

Confederation Life is the latest insurance company to decide to move its headquarters to the town. At present it employs 285 in four buildings centred on Chancery Lane in central London, totalling 57,000 sq ft. The company wanted to rationalise its premises, and to escape the ever-increasing rent and rates bill. It started looking for a site about three years ago.

According to Mr Garry Garretts, who is co-ordinating the move for the company: "Stevenage was the one town that fitted all our requirements. We needed to be within easy reach of London. The company is keeping its investment department in Chancery Lane.

"Being a subsidiary of a Canadian parent, we also needed good access to international airports, and an efficient communications base from which to service our 40 branch offices around the country.

"And the borough council has bent over backwards to approve the plans for our Stevenage complex."

The fact that Confederation Life was able to buy the freehold to the 5.5-acre site, next to Stevenage station, from the Commission for New Towns was another attraction.

Building will be in two phases, eventually providing 143,000 sq ft. The first phase of a ground and four upper floors totalling 94,000 net sq ft will cost £15m and be ready for occupation by late 1987. It provides accommodation for 420 people.

The second phase will be ready for occupation in early 1988.

PROFILE: INT. WINE SOCIETY

Beneficial move

THE "founded-in-1874" sign proudly displayed on the International Wine Society's Stevenage offices lends an historical perspective to a town otherwise dominated by technology-based industry.

The society, with 60,000 "active" members, is the biggest independent wine-selling organisation in Britain, and maintains about £3.5m worth of maturing vintage wines.

In 1965 a swelling membership and increasing stocks forced the society to move its cellars and main premises from under the London Palladium to Stevenage, while retaining a London office for the convenience of members. It now employs 100 on the 2.5-acre Stevenage site.

Most of the wines offered by the IWS cannot be bought elsewhere so its members are essentially paying for the society's expertise.

According to Mr Desmond Moseley, the society's general manager for the past 19 years: "Members also benefit from lower prices and the society as a co-operative has been able to take advantage of tax concessions open to the co-operative movement."

The 3m bottles under bond in Stevenage bear witness to the duty that still has to be paid. The society spent £400,000 on a heating and cooling plant to keep temperatures in the warehouse at about 55 degrees F. It has just bought a neighbouring five-acre site for the building of a duty paid warehouse costing £2m. This will also extend the society's packing space.

The society's provision of storage space for members' wines has become of increasing importance now that interest in wine is much more widespread, but suitable space to store it in the modern home is generally lacking.

It nevertheless sends out one quarter of a million cases, or 3m bottles each year to members. Thirty per cent of orders are by credit card and 70 per cent by mail order.

A fleet of vans delivers to members' homes from three depots, at Reading, Gatwick and Stevenage, with 50 per cent of customers concentrated in the Home Counties. Deliveries to other parts of the country are by National Carriers.

"Stevenage is well located for distribution. It is also well placed for the South Coast ports, with most of our wine coming in by lorries using the ferries," Mr Moseley says.

The higher-quality wines listed by the society are mostly chateau bottled, but many vintage wines are bottled in Stevenage on the society's automated bottling line. Though automated, the plant is not designed for speed. "Slow bottling is not the commercial thing to do, but it preserves the character of the wine," Mr Moseley says.

Confidence is renewed

Retailing

THERE IS a renewed sense of confidence among retailers in Stevenage town centre, Britain's first pedestrians-only shopping centre.

The town centre was owned by the Development Corporation before its assets were transferred to the Commission for New Towns. The commission has now sold all the prime shops, mostly to pension funds and insurance companies with retailers as tenants. It aims to sell the remaining one-third of its holding, mostly secondary shopping to existing tenants.

Last year British Home Stores, Richards, Marks and Spencer, Littlewoods and Next all refurbished their town-centre outlets. There are now firm proposals for two major developments which should further enhance the town's role as a sub-regional shopping centre while filling some conspicuous gaps in employment opportunities.

Trafalgar House is to develop a site on the northern edge of the town centre providing over 190,000 sq ft of retail space and a net gain of over 200 jobs. The Forum would incorporate a new glazed covered shopping mall on two floors which will extend into the existing malls, squares and walkways adjacent to the site.

A 70,000 sq ft superstore and 30 smaller retail units will be intended to meet some of the increased demand for durable and high-quality goods in the town.

Trafalgar House has detailed planning consent for the development, on land at present owned by the Commission for New Towns, but the original superstore tenant pulled out, so making a renewed planning application likely before development can get under way.

The Westgate Centre, also adjoining the existing town centre, is a 73,000 sq ft development by Greycoat Shopping Developments in partnership with Stevenage Borough Council. It should provide an additional 200 jobs. The council owns the land and will retain the freehold. The final go-ahead depends on the result of this month's public inquiry into a road closure order and a compulsory purchase order, with completion of the development scheduled by Greycoat for Christmas 1987.

The principal feature of the Westgate will be a daylit mall, with plans to connect at ground level with the central part of both the existing Queensway shopping mall and The Forum. Pedestrians from the bus stands in the town square and from the area north of The Forum will be able to enter through either of the large stores.

Existing retailers see these developments as generating more competition, and so encouraging further improvement to the town centre area.

"We are now looking for more involvement from the council to lift standards and to cover the existing shopping area," says Mr Geoffrey Ellison, manager of one of the national retailers in the town and a member of Stevenage large store committee.

With 80,000 people living in Stevenage's retail catchment area, Mr Ellison says there is a need also for more free off-street car parking.

With Sainsbury's decision to move out of the town centre to a 65,000 sq ft superstore at the Poplars centre in May 1986, Mr Ellison says the council should try to restrict further development on the town's outskirts to prevent further erosion of town centre trade.

Sainsburys bought the site from the Commission for New Towns for the development to include a superstore, petrol filling station, community centre, play centre, doctor's surgery, two shops, public house and sheltered housing.

On completion, the freehold of the community centre, play centre and doctor's surgery will transfer from the Commission to the borough council without charge.

Other retail developments include a proposal from New Ideal Developments, a member of the Trafalgar House group, for a shopping and leisure complex on a green field site at Roaring Meg North. But it is felt unlikely that Trafalgar House would proceed with both the Forum development and that at Roaring Meg.

An ice-sports centre is proposed to create a natural focal point for the Roaring Meg development, surrounded by a weather-protected shopping and activity area. This would cater for exhibitions, performances, speciality markets Punch and Judy and "the many colourful parades which are occasionally seen in established centres."

Company Notices

Arts Week

F	S	Su	M	Tu	W	Th
17	18	19	20	21	22	23

Music

LONDON

Philharmonia Orchestra conducted by Lorin Maazel. Brahms and Beethoven. Royal Festival Hall (Mon). (928 3191).

Eeva Koskinen, violin and Tuija Hakkila, piano. Schubert, Bartok, Szymanowski and Ravel. Purcell Room (Mon). (928 3191).

The King's Singers, London Early Music Group and soloists. Programme include's John Joubert's A Tribute to David Munrow. Queen Elizabeth Hall (Tue). (928 3191).

PARIS

Ensemble Intercontemporain and Ensemble Orchestral de Paris conducted by Pierre Boulez, Jean-Pierre Wallez, violin, Elizabeth Laurence, mezzo: Schoenberg, Boulez (Mon). Théâtre du Rond-Point (4256 7080).

Daniel Barenboim, piano recital: Liszt (Tue). Salle Pleyel (8581 0630).

BRUSSELS

Belgian National Orchestra conducted by Mendi Rodan with Arthur Grumiaux, violin – Mozart (Thur).

Atelier: Piano Recital by David Syme – Bach, Chopin, Liszt, Beethoven (Tue). (511 2065).

ITALY

Milan: Teatro Alla Scala: Michele Campanella (piano). Franck, Liszt and Mussorgsky (Mon). (809126).

Florence: Teatro Comunale: Mezzo-soprano Lucia Valentini Terrani. Schumann and Rossini, accompanied by Leone Magiera (Tue); Gianluigi Gelmetti conducts. The Maggio Musicale orchestra. Beethoven (Wed and Thur) (277 9236).

NETHERLANDS

Amsterdam, Concertgebouw. Piano recital by Youri Egorov (Mon). Anton Kersjes conducting the Netherlands Student Orchestra, with Yvonne Schiffelers, mezzo. Meyering, Chausson, Mussorgsky/Ravel (Tue). Colin Davis conducting the Concertgebouw Orchestra, with vocalists and choir. Tippett, Beethoven (Wed, Thur). Recital Hall: Udo Reinemann, baritone, accompanied by Noel Lee. Debussy, Duparc, Ravel, Fauré (Mon). The Concord String Quartet (Wed). The Mondriaan Quartet. Kodaly, Sallinen, Ives (Thur). (71 8345).

Utrecht, Muziekcentrum Vredenburg. Recital Hall: vocal works by Janacek and Shostakovich performed by Marjanne Kwoksilber, soprano, Jard van Nes, contralto, and Zeger Vandersteene, tenor, with Reinbert de Leeuw at the piano (Tue). English Renaissance music from the Musicians of Swanne Alley (Wed). (31 4544).

SPAIN

Barcelona, Festival of Romantic Music sponsored by Fundacion la Caixa until Feb 6. Hilliard Ensemble, Schubert, Holden, Wesley, and Mendelssohn. Salon del Tinell (Mon). Albada Olaya, piano. Brahms, Schumann and Schubert. Centre Cultural de la Caixa, Passeig de Sant Joan 108 (Wed). (301 1114).

VIENNA

Vienna Symphony Orchestra youth concert conducted by Riccardo Chailly with Radu Lupu, piano. Rossini, Beethoven, Schumann. Konzerthaus (Mon and Tue). (72 1211).

Vienna Bach soloists conducted by Ernst Wedam with Johannsonn Leitner, Harpsichord. Handel, Bach, Mozart. Konzerthaus Brahms Saal (Tue).

Roland Batik and Paul Gulda, piano. Classical and Jazz. (Wed).

Haydn Trio. Robert and Clara Schumann, Brahms. Konzerthaus Mozart Saal (Thur).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting. Weber, Hindemith, Bruckner (Tue); Erich Leinsdorf conducting, Walter Klien piano. Schoenberg, Stravinsky, Dvorak (Thur). Lincoln Center (874 2424).

Kaufmann Hall: Daniel McKelway clarinet recital with Joseph Kalichstein, piano and Fred Sherry, cello. Weber, Messiaen, Brahms, Saint-Saens, Bassi (Tue). 1395 Lexington Av. (831 8603).

WASHINGTON

National Symphony (Concert Hall): Rafael Frübeck de Burgos conducting, Lambert Orkis piano. Reger, R. Strauss, Stravinsky (Tue); Klaus Tennstedt conducting. Wagner, Beethoven (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Chamber Music series with Pikler Trio. Schubert, Hindemith, Mozart (Wed 5.45); Sir Georg Solti conducting, Andre Watts, piano. Tchaikovsky, Liszt (Thur). (435 8122).

Theatre

LONDON

The Scarlet Pimpernel (Her Majesty's): Donald Sinden in resplendent plummy-voiced form as Baroness Orczy's one-man resistance movement to the French Revolution. Opera director Nicholas Hytner's efficient and sparkish production has smoke, tumbrils, rat stew and rolling heads. (930 4025).

As You Like It (Barbican): Much improved since last year's Stratford-upon-Avon season, Adrian Noble's loosely Edwardian production now emerges as a secret-garden adventure where Rosalind (Juliet Stevenson) has the sisterly devotion of Celia (Fiona Shaw) threatened by Orlando (Hilton McRae). A superb Jacques from Alan Rickman. The RSC Barbican repertoire also includes a fine Othello with Ben Kingsley and, in The Pit, Christopher Hampton's absolutely breathtaking, unmissable version of Les Liaisons Dangereuses (628 8795).

The Cherry Orchard (Cottesloe): Wonderful NT production by Mike Alfreds includes the scene Stanislavsky cut. Ian McKellen as Lophakin, Sheila Hancock as Ranevskaya, Hugh Lloyd as Firs, Edward Petherbridge as Gayev, Roy Kinnear as Simeonov-Pischik, Eleanor Bron as Varya. Sheer bliss and very funny. (928 2252).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable merengue of a musical. (834 1317, credit cards 828 4735).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith receiving a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

Les Misérables (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey. Colm Wilkinson superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 8834)

Camille (Comedy): Pam Gems's rewrite gives Marguerite Gautier a child for whose future security she exchanges her own frail health and love. Don Daniels's studio RSC production does not transfer that well, but Frances Barber is an actress to watch. More coughing on stage than in the stalls, for a change. (930 2578).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

WASHINGTON

In Regard of Flight (Kreeger): Bill Irwin's theatrical spoof shows off the mime's talent in confronting a man-eating stage curtain and a disappearing shoe on the quest of a new theatrical genre. Ends Jan 12. Arena Stage (488 3300).

Restoration (Arena): Edward Bond's combination of contemporary politics and 18th-century high jinx with music by Nick Bicat is directed by Sharon Ott of the Berkeley Rep. (488 3300).

Opera and Ballet

LONDON

Royal Opera House, Covent Garden: Royal Ballet in Manon. (240 1066).

PARIS

La Traviata co-produced with the Teatro Comunale of Florence and New York's Metropolitan Opera conducted by Zubin/Mehta/Rico Saccani in Zeffirelli's production. Violetta is sung by Cecilia Gasdia/Etelka Csavlek, Flora by Eva Saurova, while the role of Alfredo is alternately held by Giacomo Aragall, Neil Rosenbein and Manfred Fink. Paris Opéra (4266 5022).

WEST GERMANY

Berlin, Deutsche Oper: This week's highlight is Aida with Anna Tomowa-Sintow making her debut in the title role and Giorgio Lamberti and Ingvar Wixell. Zar und Zimmermann has a new cast with Gudrun Sieber, Donald Grobe and Peter Maus. Ariadne auf Naxos features Janis Martin, Ruthild Engert and Gerd Feldhoff. Fidelio is respectable with Ingrid Bjoner brilliant as Leonore. Die lustigen Weiber von Windsor rounds off the week. (34381).

Hamburg, Staatsoper: My Fair Lady has Gabriele Ramm as Eliza Doolittle and Boy Gobert playing Henry Higgins. Otello, sung in Italian, is well cast with Julia Varady, Vladimir Atlantow and Piero Cappuccilli. Der Fliegende Holländer brings together Lisbeth Balslev, Robert Schunk and Kurt Moll. Wozzek returns. (351151).

ITALY

Milan, Teatro Alla Scala: The Salzburg Festival production of Luciano Berio's Un Re in Ascolto with libretto by Italo Calvino. The production is by Goetz Friedrich with scenery by Gunther Schneider-Siemssen. In the cast are Victor Braun, Heinz Zednik, Sergio Tedesco, Rebecca Littig and Rohangiz Yachmi. (809126).

NETHERLANDS

Arnhem, Stadsschouwburg. The Opera Forum production of Pelléas et Mélisande (Tue, Thur). (422741).

Amstelveen, Cultureel Centrum. Orpheus in the Underworld from the Munich Touring Company directed by Kurt Bösler, with soloists, choir and orchestra under Paul Popescu (Tue). (458444).

SPAIN

Barcelona, Manon by Massenet starring Alfredo Kraus, Ana Maria Gonzalez, Enric Serra and John-Paul Bogart, conducted by Jean Perisson. Gran Teatre del Liceu, Sant Pau 1. (Wed). (318 9277).

VIENNA

Staatsoper: Lucia di Lammermoor conducted by Zedda with Gruberova; Faust conducted by Lombard with Benackova-Cap, Renée, Jahn, Araiza, Raimondi, Weikl; Gala conducted by Levine with Baltsa, Gruberova, Freni, M. Price, Leonie Rysanek, Araiza, Kraus, Prey, Weikl. (Wed). (5324/2655).

NEW YORK

Metropolitan Opera (Opera House): Montserrat Caballé sings the title role of Tosca with Luciano Pavarotti as Cavaradossi, conducted by Carlo Felice Cillario in a week that includes Romeo et Juliette with Catherine Malfitano and Neil Shicoff in the title roles, conducted by Sylvain Cambreling. Lincoln Center (362 6000).

WASHINGTON

Washington Opera (Terrace): Daughter of the Regiment conducted by Joseph Rescigno with Eric Mills, François Loup and Joyce Castle plays in repertory with Christopher Columbus, conducted by Randolph Mauldin with David Eisler, Elaine Bonazzi and Karen Hunt, in Roman Terleckyj's new production. Both are sung in English. Ends Feb 2. Kennedy Center. (422 8700).

Exhibitions

PARIS

Old and new: State acquisitions over the last five years. The 240 exhibits range from an Egyptian pleureuse dating from 1800 BC to contemporary artists and comprise paintings, sculpture, pieces of furniture and objects d'art. Among the chef-d'oeuvres there is Vermeer's Astronomer, Frans Hals' Jester Playing The Lute as well as works by Manet, Monet and Seurat. Lucas Cranach's Melancholy comes from a provincial museum. Grand Palais. Ends Feb 3 (4260 3926)

WEST GERMANY

Düsseldorf, Kunsthalle Grabbeplatz Joel Shapiro: First stop for an exhibition covering 80 abstract sculptures and paintings by the American artist in the last nine years. Ends Jan 19.

Munich: Haus der Kunst, Prinzregentenstr. 1: Karl Spitzweg (1808–1885): 500 drawings and paintings with 70 cartoons from four artists, among them Daumier, Doré, Gavarni and Grandville. Ends Feb.

Berlin, Bauhaus-Archiv, Kingelhöferstrasse 14: Walter Gropius, "The Architect and Designer." An exhibition of paintings, constructions, designs and furniture by Gropius. Ends Feb 2.

ITALY

Milan: Palazzo Reale and Palazzo Bagatti Valsecchi: Edvard Munch (1863-1944): A large retrospective show by the Norwegian forerunner of the expressionists. An extraordinary conveyor of pain and anguish. Most of the paintings are from the Munch Museum in Oslo. Until March 12.

Rome: Palazzo Venezia: "English Caricature, from Hogarth to Cruikshank". 114 engravings from the Sprovieri collection bearing witness to the extraordinary freedom of speech enjoyed in England in these years (1740-1840). Nobody is spared: the Royal Family, the Government, the Church, the army or the aristocracy. The exhibition is sponsored by the British Council. Until Jan. 30.

SPAIN

Madrid, Repetitive Structures. 22 works by 21 artists on loan from Ludwig Museum in Cologne, among them, Andre, Judd, Lewitt and Morris engaged in the Minimal movement and Andy Warhol, Lichtenstein und Dine in the Pop Art. Interesting mix of styles and trends. Fundacion Juan March, Castello 77. Ends Feb 18.

VIENNA

Kandinsky In Paris 1934-1944: An extensive collection of oil paintings, gouaches, watercolours and photographs from the last 10 years of Kandinsky's life, organised by the Guggenheim Museum, New York. It shows the culmination of his development as pioneer of abstract art, his earlier dramatic exuberance giving way to a more refined style with softer pastels and monochrome colours, but the dynamism remains. In sections on Black Backgrounds and Concrete Art Kandinsky's works are brilliantly complemented by those of Klee, Mondrian, Arp, Miro and Picasso, showing his influence on a generation of European abstract artists. 20th Century Museum. Ends Jan 26.

NEW YORK

Guggenheim Museum: 55 major sculptors of the 20th century, including Giacometti, Nevelson, and Johns, are part of the theme Transformations In Sculpture, meant to cover pop art, minimalism and Arte Povera, among other movements of the past 40 years. Ends Feb 18.

Pierpont Morgan Library: 200 British photographs from the Victoria & Albert Museum cover Fox Talbot to Julia Margaret Cameron and Lewis Carroll among the earliest practitioners in the years from 1839 to 1900. 36th St & Madison Av. Ends Feb 2.

WASHINGTON

National Gallery: The Treasure Houses of Britain collects 700 objects from 200 stately homes in a show mounted and decorated to look like the quintessential stately home, with paintings by Holbein, Rubens, Van Dyck, Hogarth and Turner among many others, as well as Chippendale furniture, Meissen and Sèvres porcelain and tapestry, jewellery and armour. Ends Mar 9.

National Museum of American Art: 73 works of New Zealand Maori artists show the mixture of religious, symbolic and artistic traditions in feather capes, ceramic vessels, carved and painted gourds and woven hangings using native materials. Ends March 9. Renwick Gallery.

THE ARTS

Ed Lauter and Charles Bronson in "Death Wish 3"

Cinema/Nigel Andrews

Loose ends in a tangled web

Kiss of the Spider Woman directed by Hector Babenco

Death Wish 3 directed by Michael Winner

Reanimator directed by Stuart Gordon

The Sure Thing directed by Rob Reiner

Akira Kurosawa season

"Why should I think about reality in a stink-hole like this?" cries William Hurt as a jailed homosexual in Hector Babenco's resplendently off-beat *Kiss of the Spider Woman*. And the film goes on to pump fresh life into one of the oldest debates of all in art and life: between fantasy and reality, escapism and engagement, the narcotic comforts of solipsism and the rigours of social or political commitment.

Babenco's film based on a novel by fellow Brazilian Manuel Puig, personifies this Yin and Yang in two prisoners sharing a cell somewhere in South America. Hurt is the gay jailbird: henna'd of hair and hushed of voice, he beguiles the hours by telling yarns spun from old movie melodramas. Raul Julia is the political prisoner. Bearded, laconic, a Che Guevara look-alike, he tolerates the nonsense emanating from his companion—tales of love and murder, blond Nazis and slinky French nightclub singers—while wondering why his (Julia's) interrogations have stopped, and if the screamers daily dragged through the prison yard opposite their cell are undoing under torture his beloved revolution.

But is all what it seems? Where does Hurt go when he vanishes for minutes or hours, returning with a luxury food hamper from his "mother"? Who is "Marthe," the name on Julia's sleep-talking lips? Why do both men, on different days, get food poisoning from the prison beans?

Kiss of the Spider Woman is little more than a gigantic duet for two, with some mesmeric mystery and fantasy sequences thrown in. (We are shown Hurt's movie stories as he recites them, in sepia-inked chiaroscuro as if Fritz Lang had been let loose on a French Resistance pastiche). But two stupendous performances and faultless pacing by Babenco, best known for another South American prison film, Pixote, make the result electrifying. Two opposite world-views circle each other like reluctantly fascinated scorpions: the political rebel for whom struggle and if necessary self-sacrifice are all, and the homosexual for whom fantasy, romance and self-dramatisation are all, and for whom — at least at first — political struggle is macho ado about nothing.

But opposites which begin by colliding end by combining, as the film reveals layer upon layer of character subtlety, and twist after twist in an apparently "simple" plot. Perhaps, the film suggests, the world needs both extremes—reality and fantasy, the loner's dreams and the crusader's heroics. The world certainly needs movies like this, in which a simple setting and a teasing yarn become the echo chamber for some richly intricate ideas.

*

A far cry from *Death Wish 3*, which galumphs on to our screens with star Charles Bronson and director Michael Winner once more keeping America's streets clean for mothers, children, ageing film stars and jet-setting British directors.

"The streets are full of degenerates!" cries redneck New York police chief Ed Lauter at the film's beginning, conforming to the old proverb that it takes one to know one. For as our plot kicks off, Mr Lauter first falsely arrests Mr Bronson and then lets him go on covert condition that he starts killing off all the muggers and delinquents he can for the NYPD. Soon our Chuck is waging a one-man war on all the weirdoes and wackoes he can find, using every means from Magnums and missile-launchers to nails through the feet and crowbars on the skull. After all, as Mr Bronson says, "It's like killing roaches, you have to kill them all or what's the use."

Although set in New York, this purulent potboiler was shot in Lambeth *(sic)*, where a little corner of mugger-ridden Manhattan was created for Mr B to run amok in. Top marks to designer Peter Mullins for the job. And odious as is the film's call to vigilantism, and basic as are its script, acting and direction, one cannot but admire the fact that from first frame to last it moves along like the clappers.

*

Reanimator also offers us mayhem: this time more visceral in character, with severed heads, lopped arms and flying entrails all in featured roles, and all depicted in the interests of medical science.

When sinister young Herbert West (Bruce Abbott) enrols at the Miskatonic Medical School, his first question at his new digs should surely have aroused suspicion. "Does the building have a basement?" he asks. It does. And soon Rufus the cat has vanished thither, becoming first a murdered moggie and then something twitching and unpleasant on the laboratory table, as Herbert tries out his new reanimating fluid.

Soon we have all moved across campus to the morgue, where the respected Dr Hill has become a decapitated body carrying his own head, where Dean Halsey gibbers, dies and lassoes someone with his intestines and where ..... well, you get the idea. Recommended only for those with adventurous stomachs or an adventurous sense of humour. Stuart Gordon directed.

*

However, we must all agree that the week's true horror is *The Sure Thing*. This was my inflight movie both ways across the Atlantic last November. (I broke my spectacles early on the return flight, a surely Freudian accident). Writers Steven Bloom and Jonathan Roberts and director Rob Reiner give us 90 minutes of simpering sophomore comedy-romance between a boy and girl (John Cusack and Daphne Zuniga) bitch-hiking to LA to meet different love objects but—guess what—finding they are becoming gooey-eyed about each other instead.

Winsome dialogue, TV-commercial visuals and puppy-dog performances produce a film that makes *Love Story* seem like *Heloise and Abelard*.

Surely you would do better to visit the Barbican Cinema and catch up on all those Kurosawa films you have never seen? Oriental pearls beyond price, they are on display in a long-running retrospective devoted to the director of *The Seven Samurai*, *Kagemusha* and—soon to reach our screens—his blazing *King Lear* adaptation *Ran*.

William Hurt in "Kiss of the Spider Woman"

Capricorn/Bloomsbury

Max Loppert

The latest Contemporary Music Network concert was introduced at the Bloomsbury Theatre on Wednesday night, before proceeding to five other centres across the country over the next ten days. It demonstrates freshly the admirable breadth of this organisation's artistic concerns. For, in contrast with some of the more obviously "modern" programmes also on the 1986 touring schedule, the seven players of Capricorn have here prepared a recital of solid, thoughtfully worked, superficially unglamorous chamber music: pieces by three important European composers of middle years which all encourage close, concentrated listening, an intelligent and gimmick-free response (and which they appeared to receive from Wednesday's decent-sized and encouragingly youthful audience).

None of the works was new or a local première; all were greatly worth hearing (or, in my own case, hearing once again). Ligeti's Trio (1982) for horn, violin and piano seems already to have attracted the status of an indispensable repertory addition, and no wonder. Written as an openly-admitted "homage to Brahms," for the forces that Brahms employed on a single, crucial masterpiece, it is in no way Brahmsian in sound or style.

And yet an impression of late-Romantic characterisation (nostalgia? elegiac tenderness? a more exact or definite description proves elusive) hovers in the musical background even where it has been suppressed in the actual foreground. The fusion of Ligeti's cell-like musical procedures and the diatonic lyricism that he carefully admits into the musical framework produces chamber music of extraordinary rightness—at once recognisably contemporary and timeless as though it had always been there.

The actual notes of David Blake's Clarinet Quintet (1980) appear to admit their ancestry more directly: the form, an unbroken stretch of connected short movements, is suite-like in a manner inherited from Berg, and so is the sense of a dramatic kaleidoscope shaking out its patterns within the tautly sustained argument. It is indeed a vividly dramatic piece — more so, I felt, than was on Wednesday projected in Capricorn's sensitive, musicianly, but rather tame performance. (No doubt it will be thoroughly worn in on the tour.)

Shnitke's Piano Quintet of 1976 completes the bill, and it too seemed to hang fire, except in the playing of the Capricorn pianist Julian Jacobson (on an instrument with a dislikeably tinny top register). The message of Shostakovian gloom that Shnitke pores over, slowly and at length, avoided sounding hollow and self-dramatising by a rather narrower margin than I recall from a previous London performance. All the same one was held: even at his chanciest, the Russian composer has a way of compelling attention.

Travesties/Oxford Playhouse

B. A. Young

The fact that Lenin, James Joyce and Tristan Tzara were all in Zurich during the war would suffice to fill a footnote in a history book. To a writer as imaginative as Tom Stoppard, it is enough to fill two and a half hours with great comedy, and if he has to doctor the details a little, it is easy to have them all recalled by a former diplomat whose recollections have become confused in his old age.

Henry Carr, the diplomat, who remembers himself as the British consul (though it is possible that the consul may actually have been Bennett, whom he thinks of as his manservant), played the part of Algernon in an amateur production of *The Importance of Being Earnest* produced in Zurich by James Joyce, and was later involved in a suit for 25 Swiss francs over a pair of trousers. (He is mentioned in *Ulysses* as one of the soldiers, Private Compton and Private Carr.)

If he had any significant connection with Lenin, busy in the public library while revolution ripened in St Petersburg, or Tristan Tzara, founding the Dada movement in the arts, history does not record it.

Tom Stoppard can invent it all as he pleases. The play, written in 1974, is a sequence of hilarious encounters, with a little plot in the background based on *The Importance*. Carr, who is courting Cecily the librarian, plays at being Tzara's brother Jack, a more romantic figure than a minor diplomat. The deceit is revealed in a scene based on the tea party in Wilde's play, and, for good measure, there is confusion between two manuscripts, a revolutionary paper by Lenin and a chapter out of Ulysses, that have been let for comment to the wrong brothers.

The production, under Richard Williams' direction, begins with a kind of Dada overture, after which we move into the library, where Tzara is making poems out of random tear-ups, James Joyce comes in on literary business and Lenin sits with his wife Nadya silently planning the overthrow of society. We move from here into Carr's flat, where Tzara and Joyce call on consular business and Gwendolen (Christina Kavanagh) passes odd moments as Carr's sister. From here on imagination runs wild.

Wilde is easy to deal with, as *The Importance* is well known and everyone spots the references. Joyce is harder, and Stoppard puts a lot of his dialogue into limericks, the dialogue in *Ulysses* not being easy to adapt. As for Lenin (John Rolfe), Stoppard almost gives up, and puts little action into his invention more than the various plots hatched for the escape by sealed train. But over all the half historical references the author pours a happy syrup of comedy and Wednesday's house, clearly an intellectual one, laughed almost as often as they coughed.

Chris Hunter's Carr is lively and comic when he is in the younger mode, as he is for most of the play, but the older man is not different enough. He is still the younger man with an old hat over his black hair and a voice untouched by senility. Mr Hunter has a very long introductory soliloquy, and he would be helped by more activity than occasional light changes.

Tzara is played almost farcically by David Goodland illustrating Dadaism's contempt for serious behaviour. When Carr is masquerading as his brother Kit Reading, the costume designer dresses him in a cross between Tzara's frivolous untidiness and his normal Englishness. David Mallinson does not try to suggest anything serious about Joyce, as Stoppard has not, but strides about in search of universal admiration, sounding like a Dubliner though not much like the records of James Joyce.

The production is destined for a tour, which perhaps explains the rather lightweight look of Marty Flood's sets, though not why everything in Carr's flat is hung with white cloths as if they were about to go away on holiday.

Alastair Muir

Natalie Ogle and Christine Kavanagh

Archaeologists dig for Basilica of Londinium

The most important archaeological dig in the City of London for many years is under way on the corner of Leadenhall Street and Gracechurch Street. It should provide crucial data on the Roman Basilica, the town hall of Londinium, and the largest Roman civic building constructed north of the Alps.

The site of the Basilica was pinpointed in the 1920s but it is only now that archaeologists have had a chance to explore a fraction of the original building. Built around AD 100 it covered eight acres, but the excavation will examine less than three-quarters of an acre to the north east of the Basilica.

However it is a key area, and, if the archaeologists from the Museum of London are correct, should reveal the offices of the city councillors, the treasury, an archive, shrine and other important municipal buildings. The dig will be the biggest undertaken in London for decades, with archaeologists following behind the demolition men. They must vacate the site by October.

The Basilica was built on a hill at the end of the street which led to the first London Bridge. It stretched from Fenchurch Street to Leadenhall Street, and was the hub of civic life, both legal and commercial. A successful excavation should be able to plot the decline of the building, how much it was occupied by the Saxons, and also cover its revival as the site of the Leadenhall in the 13th century, then the key market for the wool trade. Initial explorations last year suggested there had been an even earlier building on the site, dating to the time of Nero, around AD 50. Some of his coins were found.

The site is owned by the City of London but has been leased by Legal & General which is building offices for letting. Legal & General has contributed £150,000 to the dig, as well as allowing archaeologists access. English Heritage has given another £150,000, but there is still £140,000 to be raised by public appeal.

To encourage donations a viewing gallery has been constructed over the site so that progress can be monitored. Any finds will go to the Museum of London—as well as pottery and coins. The archaeologist in charge, Mr Brian Hobley, has hopes that religious buildings might be uncovered with statues of Roman and Celtic gods, and of the contemporary Roman Emperors.

Antony Thorncroft

Opera in Italy

Max Loppert

The 1985-86 Milan opera *season opened with Aida*. Though La Scala is perhaps the world's *Aida* theatre *par excellence* — stage, auditorium, and acoustics all conspire to do justice to its every aspect—the work had not been given there for 10 years. And so, for its return, all the stops were pulled out.

Lorin Maazel conducted, Luca Ronconi produced in sets (which looked as though they had cost the equivalent of Britain's total annual opera budget) by Mauro Pagano and costumes by Vera Marzot; the first cast was led by Luciano Pavarotti, Maria Chiara, and Ghena Dimitrova. Lavishness was also indicated in the provision of two front-rank basses—Nicolai Ghiaurov as Ramfis, Paata Burchuladze as the king — where most houses have to make do with one.

The result was a Big Show. As a spectacle it was always massive, often complicated (in Ronconi's sunny, sandy Memphis, a great deal of construction work is under way during the course of the opera), sometimes undeniably impressive; the Grand Opera side of *Aida* was at no point neglected —and this, at least, counted in the producer's favour.

But the centre was heavy. Despite the plethora of scenic elaborations and embellishments, an impetus of fresh inspiration seemed to be lacking. Trolley after trolley of gigantic Egyptian rockface, sculpture, or architectural mainstay *may have been manoeuvred* across the stage—in this sense only, the latest Scala *Aida* must be the most moving of all time —but the principals, for the most part, were left to come on and do their traditional, conventional stuff (which included, wherever remotely possible, the acknowledgement of applause). In the best *Aida* performances, outward display is nourished by an *ever-present* intimation of vibrant inner life. Apart from the odd passing flicker, inner life was missing here.

Pavarotti was in strong, clear voice: it may not be quite the right voice for Radames, but on this occasion it was sturdily and securely managed. Having belted out "Celeste Aida" with a minimum of romantic rapture and an excess of applause-inviting stratagems, he then settled down to show that inside that huge carapace not every artistic instinct has gone entirely dead—indeed, were he a less absurdly fêted tenor, one would be readier with praise for a very decent account of the Nile love music.

Chiara has likewise an insufficiently ample Aida voice, for this house at least; and at first much of the bloom seemed to have gone from what was, a decade ago, the most naturally beautiful of young Italian sopranos. She improved greatly in Act 3—the curves of "O cieli azzurri" were most delicately traced—without ever touching the nerve-centre of the music or the character.

Dimitrova, a dramatic-soprano Amneris (and due to take over the title role in the second cast), has been criticised in the press—it seems that in Italy it is still necessary to respect without the smallest waver the *convenienze* that call for mezzos in mezzo roles. But the contrasts of vocal colour between the two women were successfully caught, none of Amneris's lower-lying music was shirked or skimped and, in general, the singer's tremendous resources of vocal power were employed not promiscuously (as in the Covent Garden *Turandot* they appeared to be), but to fix a powerful focus on the character amid all the carry-on of Ronconi's Trial Scene.

Amonasro was the Catalan Juan Fons, vigorous but unremarkable. Maazel conducted the production with evident mastery—space and pace were broadly provided, the naïve exuberance of chorus and orchestra was expertly controlled, details were fastidiously etched. Except when Dimitrova took brief charge of the stage, in Act 4, nothing much touched the heart.

The December opera-traveller prepared to voyage off the beaten Italian track will often be rewarded with novelties, and with livelier, if less glossy, experiences than the star-studded Scala evenings can always afford. Strictly speaking, Dvořák's *Rusalka* no longer counts as a rarity, but it was this month a *novità per Trieste*, where in the Teatro Comunale G. Verdi it was given in a first-ever Italian translation (by Fabio Vidali).

Sung in an Italian theatre of comfortable medium size, and sung with the lyrical grace and breadth of phrasing that the Italian language naturally encourages, Dvořák's vocal lines sound wonderfully warm and ample. The Trieste orchestra may not be one of the country's most noted ensembles, but under Gianfranco Masini it gave a heartfelt reading of a score that with each new hearing demands ever more insistently its place among the richest and most substantial of all late-Romantic operas. Trieste's text was much less cut than the Coliseum's, and every bar was justified.

With David Pountney's brilliant, extraordinarily imaginative, but also slightly restrictive ENO production of the work's Freudian subtext still vividly in mind, it was particularly interesting to encounter a sensitive revival of (as it were) the full text once again. Peter Werhan (producer) and Sergio d'Osmo (designer) had mounted a woodland-and-lakeside vision drawn, intelligently if not always impeccably from the world of Klimt and Redon; its principal achievement was to return the nature-inspired delights of the music to a more central position of dramatic importance than they had been allowed in London.

Saleroom/Antony Thorncroft

Old Masters out of favour

The first important auction of the year—of Old Master paintings at Christie's New York on Wednesday—established a depressing tone, with a total of \$2,592,810 (£1,763,816), but 45 per cent unsold. However the most highly prized painting on offer, a view of a Brazilian sugar plantation by the 17th century artist Frans Post, did find a buyer, at £299,320, the lower end of its estimate.

Not surprisingly two Spanish paintings in a style now out of fashion failed to sell—a Velasquez portrait was bought in at \$220,000 and a Zurbaran "Immaculate Conception," at \$85,000. A scene of travellers refreshing themselves at a tavern by the 17th century Dutch artist Isaac van Ostade was also unsold, at \$140,000.

London dealers were successful bidders, Brod paying £89,796 for a farmyard scene by David Teniers the Younger, and Agnew £74,830 for "Perseus with the head of Medusa" by Sebastiano Ricci. A Pennsylvania private collector bought "A peacock and other birds in the gardens of a palace" by Melchoir de Hondecoeter for £254,422, well above target.

In London this week the auctions have been more modest but not without interest. Phillips set a record for a Britain's toy model of a Salvation Army Band, of £2,470. The band produced in 1938 was split into four lots, and the proceeds will go to the Salvation Army International Training College Appeal. The previous best for the same band had been £1,400.

At Sotheby's a first edition of George Orwell's "Homage to Catalonia" fetched £550, way above its £180 top estimate. When first published in 1938 it sold for 10s 6d.

Opera for the under-30s

Hard behind Mr Paul Hamlyn's generous £250,000 gesture which this week enabled first time visitors to Covent Garden to watch ballet at reduced prices comes news of a similar programme for opera lovers.

From March 23 to April 17 the London International Opera Festival will encourage the under 30s to make contact with opera. Fully staged operas at the Coliseum, concert performances at Covent Garden, recitals, opera films, and singers in the Covent Garden Piazza and in restaurants are part of the programme, which is sponsored, to the tune of £50,000, by Hillsdown Holdings.

The key element in the Festival is a Youth Subscription Scheme, which, for £23, offers anyone under 30 access to four events.

A. T.

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The GEC bid for Plessey

WHILE the Westland drama has been dominating the attention of Ministers and the public over recent weeks, a more important industrial question involving some of the same participants, has been the subject of intense study in the corridors of Whitehall, leading to a government decision in the next few days. This is whether GEC's bid for Plessey should be referred to the Monopolies Commission.

The bid, if it goes through, will involve an increase in concentration among British suppliers of telecommunications equipment and other electronic systems. Although the arguments are finely balanced, the issues are sufficiently complex and important to justify an investigation by the commission.

Guidance

The past history of merger references provides little guidance in this case. The great electrical mergers of 1967 and 1968, when GEC took over Associated Electrical Industries and English Electric, were not referred to the commission; the government of the day felt that the need for rationalisation more than offset any fears about reduced competition.

GEC's bid for Avery's, the weighing machine company, was referred in 1979 and found to be not against the public interest, but this deal did not affect competition and came during a period of official anxiety, which has since faded, about conglomerate mergers.

GEC defends the Plessey offer on much the same grounds as the original electrical mergers. It points to the heavy expenditure on research and development in telecommunications and electronics, the need for long production runs and the high cost of developing new markets; a combination of the two companies, it argues, would make better use of the UK's scarce technological resources and help to create "a stronger UK base better able to fight off foreign competitors at home and abroad."

Partly because of its past experience in the electrical industry, GEC regards itself as uniquely placed to carry out the necessary reorganisation of the electronics sector.

GEC is justified in putting the merger proposal in an international rather than a domestic context. One would be more confident about this if the UK was firmly and irrevocably committed to an open trading policy in the sectors where GEC and Plessey overlap, sucb as defence; the political pressures to huy British, especially where johs are at stake, will always be strong.

But it is true that GEC and Plessey compete in world markets against companies which in some cases are appreciably larger even than the combined group would be. It is also true that the most important domestic customers, British Telecom and the Ministry of Defence, are powerful buyers who could turn to other suppliers if GEC-Plessey was not competitive. BT has already placed substantial orders for switching equipment with Ericsson of Sweden.

A more difficult question is whether the concentration of technical resources involved in a GEC-Plessey merger would be good for the electronics industry. A somewhat similar situation was considered by the Monopolies Commission in 1972 when it examined the proposed merger between Beecham and Glaxo.

Beecham argued that the two companies were too small to succeed in the world pharmaceutical business; only a much larger company with larger financial resources would be able to compete in research and development, and in marketing strength, with the powerful US and Swiss companies.

Yet the commission concluded—rightly in view of subsequent events—that the two companies were big enough to compete and that a merger would damage the industry by reducing the number of independent decision - making centres—particularly important in a sector which had great potential for further scientific advancement and growth.

Differences

There are many differences between pharmaceuticals and electronics, but, given the profound change in industrial structure which a GEC-Plessey merger would set in train, it is reasonable to ask the commission to examine what economies of scale are available and how likely they are to be achieved.

There are also important general issues to consider, notably the link between concentration in the home market and international competitiveness — a matter which the commission dealt with unsatisfactorily in its 1983 report on GKN-Associated Engineering.

The delay involved in a reference will be inconvenient for GEC, especially in view of the upheaval which the world electronics industry is going through. But the rationale for the bid presumably will be as valid in nine months' time as it is today. Not to refer a horizontal merger of this size and importance would be at odds with the Government's attempt to bring greater logic and consistency into its mergers policy.

The benefits of deregulation

WHAT A PITY the OECD is so slow in publishing its economic reports. The latest study of the US has the flavour of a report written last summer: there is speculation about whether the dollar's decline will be sharp or slow and whether legislative action will be taken on the federal deficit.

This week markets are gearing up for the second crucial meeting of the Group of Five finance ministers in London; the OECD report barely acknowledges the original Plaza meeting in New York last September and, of course, is quite ignorant of the Gramm-Rudman deficit reduction initiative.

Question

The gap between research and publication means that the OECD report on the US can offer only indirect guidance on the principal macro-economic question of the day, which is whether co-ordinated interest rate reductions in the main industrial countries are now either feasible or desirable.

Given the global agreement to sustain steady downward pressure on the dollar, the possibility of interest rate cuts in Europe and Japan depends heavily on the possibility of cuts in the US. The important question thus is what does, or should, determine the level of US rates.

On this, the OECD adopts a surprisingly agnostic position, strangely reminiscent of that taken by Mr Donald Regan, the former US Treasury Secretary. It says the cause of high real interest rates remains a matter of great controversy and that an empirical link between the federal budget deficit and the level of rates has proved difficult to establish. It is prepared to say no more than that the budget deficit *probably* had some influence on long-term rates.

The overall assessment of America's macroeconomic policy is perhaps surprisingly sympathetic. The OECD confesses that US performance on growth, inflation and unemployment has been considerably better than it expected. It reiterates fears about medium-term structural imbalances in the economy but projects continued low inflation and unemployment and growth of 2½-3 per cent.

The strong peformance of the US economy in recent years is not just a reflection of its budgetary policy. The OECD rightly lays great stress on the benefits of deregulation of industrial sectors such as transport and communication.

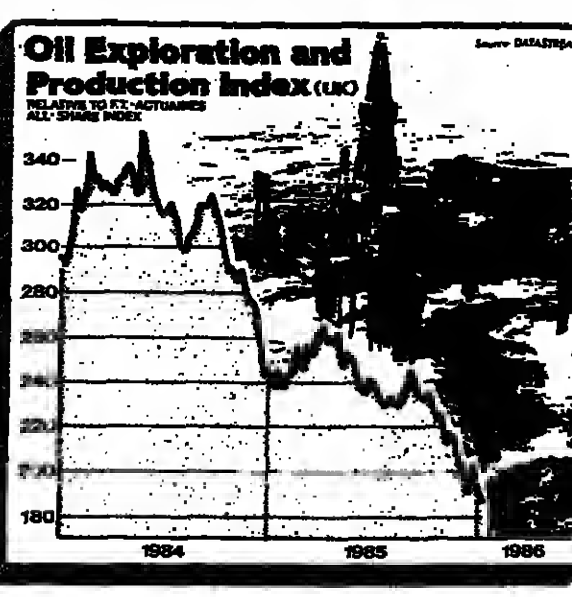
These benefits are almost always under-estimated: the OECD argues that deregulation has had noticeable *macro*-economic effects — it has meant lower inflation and higher productivity. There has been a direct impact on wage settlements in deregulated industries; equally important, a significant "demonstration effect" has influenced bargaining in the rest of the economy.

The OECD must be one of the first international organisations to give the total deregulation of the US air transport industry an unqualified vote of confidence. It documents how the scrapping of controls, far from creating chaos, has brought down costs and prices and greatly improved the range of services offered to consumers.

The deregulation has stimulated a host of productivity gains — for example the creation of hub-and-spoke networks in place of relatively inefficient linear railroad-like routes. The less-ambitious deregulation of trucking, buses and railways has also resulted in more modest, but still worthwhile improvements.

The emphasis on US microeconomic reforms is the most encouraging aspect of the OECD report. The hope must be that other industrial countries will follow the US example. When macroeconomic policies remain dogged by so much controversy, there is a strong case for getting on with structural reforms that have the support of virtually all professional economists.

UK OIL INDUSTRY



The recession tide strands the North Sea minnows

By Dominic Lawson

BRITAIN'S INDEPENDENT oil sector is experiencing its first recession—and the City is responding to the experience by trying to turn its investment in the country's North Sea explorers into cash.

In the past few weeks, three leading UK oil companies, Lasmo, Charterhouse Petroleum and Clyde Petroleum, have sought shelter by handing over control or large equity stakes to bigger and more diverse organisations.

One of the more remarkable deals was that involving Charterhouse, whose founder and chief executive, Mr Tony Craven Walker, decided to accept a £145m bid from Petrofina of Belgium only hours before he was due to be elected chairman of Brindex, the association of British independent oil companies and the voice of the independent North Sea explorers. Mr Craven Walker, long the most voluble advocate of the importance of his sector, believes that the independents are at the end of an era; about to fall victim to the accumulated impact of inconsistent Government policy and short-sighted City thinking.

Apart from Britoil and Enterprise Oil—two Government offsprings—the UK independent oil sector has been funded by the private sector with about £1.5bn of risk capital. As oil prices fall many City investors want to call that money back, even at a substantial loss.

The drop in the market capitalisation of Brindex members over the year—from £1.6bn to about £1bn against a rising FT index—is one crude illustration of this. But the trend was more sharply defined in the battle over Saxon Oil last September.

Then, a merger between Saxon and Charterhouse, widely praised for its industrial logic, was wiped out by an all-cash £122m bid for Saxon from Enterprise Oil, the private sector inheritor of the British Gas oil interests.

That was galling for Saxon's chief, John Heaney, who had built up the most successful of the companies created at the time of the seventh North Sea licensing round in 1980. It had participated in the biggest North Sea oil find in recent years—the Miller field—and had come up with a shrewd way of financing the development costs.

If the City takeover is supposed to be capitalism's way of ensuring that badly managed assets are taken over by good management, Mr Heaney did not have his faith in capitalism increased. The four oil men on the Saxon board voted down the Enterprise offer, but the five non executive City appointees voted for cash. Mr Heaney, who had founded the company with £15m of City venture capital, complained bitterly of "the short term thinking prevailing in the City. If the most successful disappear, it is not an efficient environment."

According to the finance director of one UK oil company the independents most likely to survive in these circumstances are those which are too small or unattractive to interest even the most avaricious predator. The most frightening thought for the minnows is that the City's savage disenchantment has come after a year in which the oil price did not crack. Last yesr the North Sea crude oil Brent sold at an aversge price of over $27 a harrel. Most expect that this year could see the price drop down to no more than $20. (This week the price of a harrel of North Sea crude fell by $2 to less than $24.)

Even though the FT oil sector is at its lowest level relative to the FT all-share index since 1972—before the oil price shocks—the share prices of most UK indpendents are at a premium to asset value calculated on the basis of a constant $25 oil price, according to an analysis by stockbrokers Scott Goff Layton. Says Mr Michael Unsworth, Scott Goff's top oil analyst: "We haven't seen the stock market oil price panic yet. We are looking for a major sell-off of oil shares."

As the oil price weakens, many of the more indebted companies, under pressure from bankers, may have to sell their best assets. This week Tricentrol, whose rapid expansion in earlier years has given it a balance sheet ill-matched to falling revenues, announced it is to auction its highly prized stake in the Amethyst gas field. "Tricentrol is selling off some of its crown jewels," says Sue Graham, oil analyst at Merrill Lynch, "but it has no choice."

According to one oil company chief executive, "the City has put a lot of money into us, but without entirely understanding what they were doing with the money. They did not realise that the oil price could go down as well as up. They did not recognise what a long-term business this is." It takes 10 years to turn an oil find into cash flow in the North Sea."

Whereas the oil majors have a solid base of retained earnings to reinvest in such developments (and keep shareholders sweet with dividends) the UK independents are wholy reliant on the equity market for their funds.

It no accident that the independent companies that have made it in the North Sea have relied in whole or in part on the Government to grow into msturity. Britoil and Enterprise are the most soundly-based independents, snd both bad the financial backing of the state up to the point where they were privatised as major oil producers. Tricentrol required a Government guarantee on the loan to develop its share of the Thistle field, tbe field that turned it into a big company. Even Lasmo needed a special Government dispensation to sell optinos on future Ninian oil production to finance its sbare of the Ninian field development costs.

It is up to the companies to come up with innovative waya of funding their short term growth prohlems in the absence of normal direct equity investment. Lasmo last week agreed one such route, by selling new shares to Rio Tinto-Zinc, in exchange for a 29 per cent stake in high yielding Enterprise Oil. But in exchange Lasmo hss had to give RTZ 25 per cent of its enlarged equity and two seats on its board. Lasmo's chosen game plan to remain finsnclally well supported and independent has an element of Russian coulette, with RTZ's hand on the trigger.

Clyde Petroleum's deal yesterday with Moonie Oil of Australia is a similarly innovative attempt to stay afloat and diversify witbout the direct support of the City. "I don't think anyone can remain as a purely North Sea company in future" says Clyde chairman Dr Colin Phipps, who is also chairman of Brindex. "Charterbouse's solution—to sell ont—is perfectly understandable, but I want to be a predator, and there are an awful lot of opportunitiea priced at sround £50m that I want to be able lo huy."

Last year the Covernment made North Sea life even less sppesling lo the smaller entrepreneurisl companies hy declaring thst benceforth no North Ses hlock could bave more than 10 licensees, and that no one could sell out of o block without baving made a contribution to its exploration and development.

But if the Conservative Government now appears to show most favour to the heavyweight independents, this marks s significant policy sbift.

In the early licensing rounds the Government, eager to exploit finds quickly, gave the best opportunities to large international oil companies.

Conservative energy ministers used the example of the Thomson Organisation, wbich successfully invested in the North Sea in earlier rounds and generated much cash to fund its other businesses. The oil price then was $35 a harrel and, it was argued, set to rise further.

Thus encouraged, a host of tiny new ventures or new subsidiaries of British trading companies entered the North Sea oil scene. It has heen an slmost unmitigated disaster. According to Martin Lovegrove of James Capel, over 70 seventh round compapies have either sold out or remained motionless since their inception. Charterhouse and Lasmo hoth date from an earlier period: 1970-71.

Enterprise Oil is now one of the leading experts at sweeping up such companies. Last yesr it bought the North Sea subsidiaries of Distillers and Sears on tbe same day. "In the 7th round we hust a gut to get screage, tbe Covernment gave it to biscuit companies and we spent the next four years trying to get it back" says Tony Craven Walker. The table illustrates the point.

Today the Government is alert to the absence of UK-owned offshore oil technology and favours UK independents with the ability to operate an oilfield. But previous Government policy has resulted in a dearth of such companies and an oversupply of pure equity investors with no industrial ambitions.

The UK onshore oil scene, with its lower costs and smaller fields, would seem to be the more natural territory for the small oil company. But here, too, the independent has not had an easy time. In the past Budget the Government removed the right of oil companies to offset their onshore costs against their offshore tax bill. According to John Williamson, head of Trafalgar House Oil and Gas, "the change meant that it was now worth drilling only those relatively rare structures which could contain at least 2m barrels. "Before we would drill into anything that could hold over ½m barrels."

For the independent which wants to grow through international diversification, the obstacle is the North Sea ring fence which decrees that such exploration costs cannot be offset against North Sea profits. An industrial company can offset overseas drilling costs against its UK corporation tax bill.

The predators include Rio Tinto-Zinc, Trafalgar House and Imperial Continental Gas Association. The management can shelter their oil subsidiaries from the baleful gaze of the City, while providing a steady flow of revenues from retained profits from their other businesses.

The most impressive example of the staying power of the conglomerate is RTZ.

But why should RTZ be prepared to make major investments in the North Sea when othsr multinational corporations are fleeing? Perhaps because those companies based their investment on the prejudices of the early 1980s — that Opec would ensure a continually rising oil price.

RTZ has made its fortune dealing in volatile commodities and is perhaps more at home with an oil market with similar characteristics.

"We are not worried too much about short-term earnings. This is a sector which will come good again. Our experience in commodity markets certainly gives us some insights into the oil oil market," says Mr Derek Birkin, RTZ's chief executive.

It appears that RTZ's long-term ambition is to become at least as big as Britoil, the UK's largest independent oil company. When Enterprise's golden share lapses in two years, and if the oil market is still depressed, RTZ will be in a good position to pick up both Lasmo and Enterprise. "There is a number of possible options," says Mr Berkin. "A merger of Lasmo, Enterprise and RTZ Oil and Gas could result in the creation of the largest British oil company after BP and Shell and is a possibility which hears some consideration."

That prospectus for the North Sea does not endear itself to Mr Hearne of Enterprise, who has refused to give RTZ seats on his board. He says "Perish the thought that the UK oil independent sector closes down around BP, Shell and RTZ.

NORTH SEA EXITS LAST YEAR

	SELLER	BUYER	PRICE if known
January	Unigate Exploration	Norwich Union	
	Cambdge Pet Royalties	Energy Recovery Inv Cpn	£22m
	Page Petroleum UK	Berkeley Exploration	£1m
	London Utd Oil Expl	Premier Consol Oilfields	
February	Axel Johnson (UK)	Charterhouse Petroleum	£3.1m
	21% of Goal Petroleum	Energy Recovery Invstmt	
March	Tanks Oil	Enterprise Oil	£18.5m
May	Hadson UK	Britoil	£27m
	Seagram Exploration	Enterprise	$3m-$5m
	Sears Exploration	Enterprise	$0.5m-$2.7m
	Bula Exploration	Saxon	£1.2m
June	Anvil	Berkeley Exploration	£10.3m
	Petrolex	Aran Energy	£14.5m
	Rank Org Exploration	Britoil	
July	Tilling Energy	Trafalgar House	£3m
	Assinda Oil and Gas	Deminex	
September	Enscot Petroleum	RTZ	£35.8m
	Plascom	Saxon	£0.6m
	SW Consd Resources	Ultramar	£8m
	Saxon Oil	Enterprise	£121m
October	Lennox Oil	Enterprise	£2.9m
November	Monsanto UK Oil	Amerade Hess	$120m (est)
December	16% of Berkeley	Charterhouse	
	Charterhouse	Petrofina	£145m
	25% of Lasmo	RTZ	£93m (equiv)
	19% of Clyde Petrolm	Moonie Oil	£17m

Source: James Capel.

Plessey runs by the rule

A group of very hoarse senior executives from Plessey, the electronics group fighting off a £1.2bn bid from GEC, testified yesterday to the determination of the Take-over Panel to see its rules are observed.

Plessey's plan to fly a large squad of stockbrokers on Wednesday from London to its Liverpool factory, where System X digital telephone exchanges are made, was thrown into confusion at the last moment by the Panel's insistence that the company adhere strictly to Rule 19, governing the supply of information to shareholders.

This rule bars a company from talking to selected shareholders. If a meeting is called, it must be open to all. The Panel is keen to see that City professionals do not get more information than the small shareholder in the provinces.

Over the years, the practice of talking one-to-one has grown up since one person cannot be considered to constitute a meeting.

The Panel's intervention meant that Plessey's programme bad to be hastily rewritten and the invitations restricted to just six leading broking firms. Plessey was not allowed to talk to them together but had to deliver the same message six times, to each broking house individually.

Since the company had called on several of its senior men to talk on a wide variety of topics, the revised timetable took on the complexity of one of Plessey's printed circuits.

The analysts spent the day racing round Plessey's factory, snatching lunch in relays between one seminar and the next demonstration.

So seriously did Plessey take the Panel's structures that the Plessey men sat at the back of the chartered jet during the flight and the analysts at the front; and two coaches were hired to take the segregated parties from Liverpool airport to the factory.

The Panel, which has been taking a more assertive line recently, acknowledged that its rules sometimes force companies into peculiar contortions hut argued than an important principle is at stake.

"Ringside seats? For the wrestling tonight or Westland's this afternoon?"

Men and Matters

Manx break

Britain's newest union is in the break-away mould that is fast becoming a feature of the British labour scene.

John Corrin, a long-time trade unionist on the Isle of Man, hasleft the Transport and General Workers' Union to form the Manx Democratic Workers' Union. Like the break-away that preceded it in the coalfields, this move also comes amid allegations of intimidation and undemocratic behaviour.

Corin resigned his job as full-time organiser for the TGWU on the island a week ago. In a letter to Ron Todd, TGWU general secretary, Corrin alleged that the Militant Tendency bad moved into the island.

Corrin said yesterday that the "backbone of union membership on the island had resigned. Many members had been subjected to verbal abuse.

Bernard Moffatt, local TGWU chairman, dismissed these claims, saying that Corrin was engaged in "a smear campaign" to launch the new union.

The scene seems set for a replay, in miniature, of the Scargill v Lynk battle in the pits.

Well placed

The Huguenots are getting a firm hold in the British business establishment. British Petroleum yesterday announced that Peter Cazalet, chairman of BP Oil International, is to become deputy chairman of the UK's biggest company. He will succeed Roger Bexon, who retires at the end of June after 40 years with BP.

Peter Cazalet has three younger hrothers. Raymond is a director of Henderson Administration, a leading quoted investment manager. Adrian is a local director of Barclays Bank in Lombard Street and Julian is a partner in Cazenove, the firm which is to British stockbroking what BP is to the UK oil industry.

As the senior Cazalet pointed out to me yesterday, Peter is not a bad name to have either, with Peter Holmes succeeding Peter Baxendell as chairman of Shell, and Peter Walters at the head of BP.

But Peter Cazalet does not think that, at 57, he is in line for the BP succession "unless something happened to Peter Walters, god forbid."

Within BP, the feeling is that the key fight will be between managing directors, Robert Horton and David Simon, both 45, for the amiable Cazalet's job when he retires in three years time.

"Manifestly, there are two players in that game," Cazalet agreed. "But if they were the only two in the system who could do the job, I'd be very distressed. We are crammed with talent."

The Cazalets, along with thousands of other Huguenots, may have fled from France in 1685. But Peter Cazalet talks benignly of BP's growing interests in French oil exploration. "I have many relatives in France, and I can assure you there is a great deal of entente cordiale in the Cazalet family."

Flight path

Oil companies and the airline business are not always the best of friends, but yesterday's deal in which Moonie Oil of Australia has taken a 19 per cent stake in the UK independent, Clyde Petroleum, should put some money in the airlines' pockets.

Clyde's chairman, Dr Colin Phipps will have a seat on the Moonie Oil board, while Moonie's chairman Peter Mitchell will have the right to listen to Clyde's board meetings. Which appears to presage an awful lot of flying time for Melbourne-based Mitchell, and for Phipps, whose corporate seat is Coddington Court, Herefordshire.

At least Mitchell already owns a flat in Pimlico in which he can recover from yet another bout of jetlag. As for Phipps, former Labour MP and SDP parliamentary candidate, "I already fly a lot to Ecuador, where we have some oil production," he says. "What is the difference with that, except going a bit further? Besides, we could always meet in the middle."

Turn of phrase

Blessed are they who run around in circles, for they shall be called "big wheels."

Observer

THE British Government is probably over the worst of the political crisis arising from its handling of the Westland affair. But it has been a close run thing, leaving casualties all along the way, and the political ramifications will go on.

The word is that, almost whatever happens at today's meeting of shareholders in the Royal Albert Hall, a financial restructuring of the company is in sight. The key figure is Mr Alan Bristow, the former helicopter operator who wanted to buy Westland in the first place, then backed off when he discovered the precarious nature of its finances and later re-emerged as a shareholder, apparently on the side of the European consortium.

Mr Leon Brittan, the Trade and Industry Secretary, now thinks that Mr Bristow's main desire is to run the company and would be prepared to go along with any credible partnership that made that possible.

So much for Westland. Now for the politics. Mr Brittan had to save himself — since not too many people, including the Prime Minister, did much to help him. It was touch and go until Commons on Wednesday evening whether he would survive.

Politics Today: the Westland affair

Mr Brittan survives a crash-landing—so far

By Malcolm Rutherford

Ashley Ashwood

He was extremely nervous, had listened to some stinging attacks on him — in particular from Mr James Callaghan, the former Labour Prime Minister, who more or less told him to go back to making money at the bar — and there was always the possibility that he would be howled down when he came to speak.

In the event, he succeeded in holding the House at least for the first 20 minutes, then ran out of time before answering some of the more telling accusations against the Government, such as that the Foreign Office had asked the Italian authorities not to send any more messages in favour of the European consortium. It was enough to reassure most Conservatives, and even to persuade much of the Labour Party that Mr Brittan is not out yet.

Still, it will be a different Cabinet, a different climate, in future. Mrs Thatcher has been exposed not so much as being bossy and domineering, as the popular view has it, but as less than competent at running the government machine. Above all, her political instinct failed. She thought of Westland as a small issue from the start, which in a way it was. Yet, uncharacteristically, she did not foresee that it is precisely such small issues which can arouse such large political passions.

When Mr Michael Heseltine, the outgoing Defence Secretary, picked up his papers and started to leave the Cabinet room last Thursday she is said to have remarked, in his hearing: "Now let's sort out something simple—like the common agricultural policy." The rest of the Cabinet burst out laughing. But one source present says that it was not meant to be a joke. It was the Prime Minister expressing her frustration that something that she had thought so minor had blown up into something so major.

There is at least one large fault on Mrs Thatcher's part. Once the idea of a European solution to the Westland problem had been approved by Ministers, however vaguely, in principle, there was some obligation to pursue it, or at least to follow what Mr Heseltine was up to.

After all, he was known to the Cabinet as a fervent European. He was the Defence Secretary and likes rising to a challenge—as he had shown last summer when he helped secure the arrangements for the European fighter aircraft. It was dangerous to let him go off foraging on his own while the rest of the Cabinet thought that, although a European solution was desirable, it was impractical and unlikely in the circumstances.

There seems to have been too little co-ordination. There was also an absence of forethought. The Government claimed to be open-minded and even-handed, while privately believing that the Sikorsky solution was the only one that could come off. Given Mr Heseltine's determination, sooner or later there was bound to be a clash. It is a blot on the Government's record that it was not foreseen and forestalled.

Nor did Mrs Thatcher come easily to the aid of Mr Brittan, once the Defence Secretary had resigned and gone public. It was perfectly clear by mid-way through last Sunday that Mr Heseltine was making a fight of it. Why else did he give so many interviews and indeed even appear to have the television cameras installed in his house?

Parliament returned on Monday after the Christmas recess. It should have been equally clear by then that the Government statement to the House of Commons should have been made by the Prime Minister herself. Mr Brittan told her so. Mrs Thatcher demurred and said it was unnecessary. So it was left to the Trade and Industry Secretary, who does not always have a happy time in the House—something else which the Prime Minister's instincts, or at least the Prime Minister's office, should have told her.

It was then that the real political crisis began. Mr Brittan was informed of the existence, but not the contents, of the letter from Sir Austin Pearce, the chairman of British Aerospace by No 10, Downing Street shortly before he began to speak. Nothing in his statements or subsequent answers to questions indicates that he told any untruth.

But it must be remembered that Mr Brittan is a lawyer. When Mr Heseltine stood up and asked whether the Government had received any letters from British Aerospace, the Industry Secretary was extremely careful about the wording of his answers.

"I have not received any such letter," he said. Then again, after being pressed by Mr Anthony Beaumont-Dark on Mr Heseltine's prompting: "I can only speak for myself." And finally: "I am not aware of any letter from *Sir Raymond Lygo* to anyone else either." (My italics.)

The truth was that the letter was from Sir Austin, the chairman, not from Sir Raymond, the managing director, and it was sent to the Prime Minister, not the Industry Secretary. Indeed the last sentence of the letter to Mrs Thatcher reads: "This is addressed to you and is not being copied to any other party." How Mr Heseltine came to hear of it is a matter for some speculation.

With hindsight, Mr Brittan should have acknowledged the existence of the latter and added that it was strictly confidential. He made a mistake again when he was called to apologise to the Commons late on Monday evening. He said: "If it is thought that I have in any way misled the House, I apologise unreservedly."

Any sentence that begins with an "if" like that falls short of a full and frank apology, and the House knew it. Mr Brittan spent a pretty miserable next 48 hours, with few friends even in the Conservative Party.

When he intervened during Mr Callaghan's speech in the debate on Wednesday, the sound of his voice indicated that he might be cracking. It was not until he rose to give his reply that the old self-confidence came back. He appears to have returned to normal duties.

The point is, however, that the crisis need never have developed that far if Mrs Thatcher had made the statement herself on Monday. Few people will forget that, certainly not Mr Brittan.

What are the other consequences? For the Labour Party Mr Neil Kinnock was wise in keeping his speech short. It was a dispute not between Labour and the Government, but between Tories and Tories: better to let them get on with it. But it was Mr Callaghan who used the proper weapon: namely, ridicule. Mr Kinnock sticks a bit too much to the high moral tone.

For the Alliance, Dr David Owen made a mistake in going off to Pakistan and staying there. Wednesday's debate was made for him: a former Foreign Secretary who has also served in the Defence Ministry and who has defence interests in his constituency. No disrespect to Mr David Steel, the Liberal leader, who stood in, but Dr Owen should have been there among the stars.

As for the Tory Party, the immediate row should gradually die down. There could be further allegations from Mr Heseltine, but no one should overlook the fact that the Government is sitting on a pile of counter charges that could be unleashed against him.

A key question is whether, having started on Westland and European defence, he extends his opposition to a broader front: for instance, by demanding wholesale government intervention in industry. My guess is that, after the shock, the Party will come together again, but it is dependent on some economic success: a reduction in unemployment, a continuing fall in inflation and not too many worries about sterling. Without that, it will be in a mess.

Lombard

The city needs a sacrificial lamb

By Richard Lambert

THE STOCK EXCHANGE is doomed. In the new competitive environment of negotiated rates, trading in listed securities will inevitably drift away from the central market place. Hideous conflicts of interest will arise within securities firms, undermining public confidence in the established system. Institutional investors will begin to by-pass the exchange altogether, and deal directly with each other. After years of prospering as a cartel, the exchange has very little chance of adapting itself to a harsh new world.

These apocalyptic arguments were the theme of a powerful book about the New York Stock Exchange written at its moment of deregulation just over 10 years ago. The case presented in "The Last Days of the Club," by Chris Welles, was extremely convincing—and almost completely wrong. Although trading patterns have changed dramatically, the Club has remained a very attractive place to do business. The price of a seat on the New York Stock Exchange has multiplied roughly sevenfold over the decade.

What messages are there for London, at a time when similarly doom-laden forecasts are becoming commonplace? There are several explanations for New York's success, but three seem especially relevant.

One was that the Exchange and its members invested enormous sums to ensure that their market could handle customers' changing needs with great efficiency. Daily average volume in 1975 was under 20m shares; today, the Exchange can cope with well over 10 times that volume without batting an eyelid.

Again, the Exchange successfully opened its doors to its rivals, and permitted its own members to diversify into new products and markets. By allowing electronic access to its floor to competing market-makers from other exchanges, it defused strong political pressure for a new central market system open to all comers.

Finally, commission rates were cut so savagely in the years following Mayday that investors had no incentive to shift their business elsewhere. Firms in the so called third market were squeezed out of existence. And although the over-the-counter market has grown substantially, it has not managed to loosen the Exchange's stranglehold on trading in listed securities.

London is capable of matching the first two of these achievements. The Stock Exchange appears to recognise the enormous technological challenge which it faces, while most member firms are waking up to the fact that all the high powered dealers in the world are of little use if the back office is still run with a quill pen. After a bad start, the Exchange also seems to have recognised that it does not have a natural monopoly on the market in internationally traded equities, and is talking turkey with its rivals in the Euro-markets.

The big uncertainty is about dealing costs. Equity commissions are already much lower than was the case in New York ahead of Mayday: an average rate for an institutional trade charged by a big London firm might be roughly 0.4 per cent. But Stamp Duty is 1 per cent, and dealing costs would not be *significantly* reduced even if commission rates were cut in half. This has already driven a significant amount of business abroad.

So the Stock Exchange is likely to be lobbying the Chancellor of the Exchequer with increasing urgency for relief from Stamp Duty. Its problem is that the City of London's public image does not shine as bright as burnished gold at present. Although the government may well see the case for preserving a central market, there are no political brownie points to be won from making expensive concessions to its friends in the City.

What is needed is a sacrificial lamb, to provide a way of offsetting the loss of Stamp Duty on security trading by some new levy on the City. Volunteers should get their postcards in to 11, Downing Street by the end of next month.

Letters to the Editor

Inconsistent policies

From Mr D. Sawers.

Sir, — The Westland affair is one example of the inconsistency of the Government's industrial policy, and the magnitude of the crisis it has produced is partly to be blamed on this inconsistency. Politicians and industrialists cannot know what to expect from a government that is happy to leave a defence contractor to find its own salvation, even if its choice conflicts with the policy of its own Ministry of Defence, yet will intervene to subsidise commercial aircraft, aircraft engines, information technology and cars, and is reported (January 13) to be pressing American makers of oil rigs to sell control of their British subsidiaries to British companies.

All these interventionist activities, which are similar in kind if not in quantity to those of its Labour predecessor, are being promoted by an administration that pays lip service to market economics, and does indeed apply them in some cases — like Westland. The rationale behind its decision is difficult to detect, with size, visibility and use of advanced technology the most obvious characteristics of the favoured activities. They are also, therefore, cases where lobbying by interested pressure groups may be most influential, and where the politician may hope to gain the most public exposure.

But these interventionist activities nearly always have protectionist, mercantile ideas behind them — they are prime examples of "Do it yourself" economics, as Professor Henderson has described it — and so directly conflict with the Government's stated policies. They are also likely to reduce the national income, by diverting scarce, often engineering, resources into commercial but unprofitable activities which produce no obvious social benefits, but benefit the subsidised group.

Westland is a case where a link with Sikorsky would probably promote efficiency by making its technology available in Britain — which, it should be noted, would mean that fewer British resources would be devoted to the design of helicopters, and so would be available for other uses — and would be consistent with Mr Heseltine's policy of encouraging competition for defence contracts. But it conflicts with the policy of collaborating with other European Governments in the development of weapons, which Mr Heseltine had been pursuing energetically — even though it seems to conflict with his desire to increase competition, and with the Government's free market policies.

These conflicts between different policies of the MoD and between different policies of the Government made discussion of the Government's attitude to Westland all the more necessary, but it would appear that the subject received too little discussion for agreement to be secured. If Government policies towards industry had been more consistent, less disagreement about individual cases could occur; and the crisis over Westland would have been less likely to have arisen. But ministers have been left to behave like local potentates, and the MoD might well wonder why opposition to American interests in helicopters was stamped upon, when the Department of Energy is said to have been using its muscle to reduce American interests in the British production of oil rigs.

Politicians can never be completely consistent, because they have to react to unpredictable events. But the recent experience of the British administration shows that excessive reliance on an hocery can turn small problems into crises.

David Sawers,
80 Rosebank,
Holyport Road SW6.

Wary of the Americans

From Mr C. Hadfield

Sir, — Whether Westland should continue in existence by courtesy of European or American support seems to be the question on everyone's lips. Experience in this part of the world has warned us to be wary of American aid in business matters. David Brown was a name synonymous with tractors for many years before it was "helped" by the US company Case.

Now the once active factory at Meltham, near Huddersfield is but a shadow of its former self with around two thirds of the workforce gone, production sinking annually and further plans by Case to switch production to other factories—probably altogether.

'Ware Westland and heed the words from Troy Kennedy Martin's excellent BBC series "The Edge of Darkness," as spoken by Pendleton . . . . "Remember that he's American—so basically not on our side!"

Colin Hadfield.
17 Wentworth Drive,
Emley, Huddersfield.

Save British science

From Dr J. Lambert

Sir, — As a physicist working in British industry, I feel no obligation to support the sentiments of the "Save British science" campaign launched on January 13 to attract more Government money for basic science research at universities.

Government has no principal obligation to support science with taxpayers' money, except for what it believes to be in the interests of national defence — science up to World War II was funded largely independently of governments. Secured funding for basic research in universities is required, but the save British science action should be directed more to private commercial companies who will ultimately benefit from its fruits. If such companies do not support universities in this way, then they have less right to complain about their research performance and the quality and quantity of their graduates.

(Dr) Joseph L. Lambert.
1, Woodpecker Close,
Cobham, Surrey.

Nuclear power stations

From the Chief Executive, Northern Engineering Industries

Sir,—David Fishlock's article of December 23 was in the context of announcements by the Central Electricity Generating Board that some £1,000m would need to be spent on three of the first five advanced gas-cooled reactors ordered in the 1960s, to bring them to an acceptable operating state. His article contained a lot of criticism of the AGR system in general, but it hardly mentions the two successful Hinkley "B" and Hunterston "B" stations, which have been giving satisfactory service for a number of years (close on a decade); and does not mention at all the Heysham "11" and Torness stations which are similar to them, and are now at an advanced stage of construction.

Neither I nor my company is pro, or anti, AGR or pressurised water reactors but, in the light of the current nuclear debate, it would be wrong if the inferences of this article denigrated a British system in which, certainly in the later stages of its development, has demonstrated excellent qualities of reliability and economy.

If the AGR system, as a whole, had been unsatisfactory near repeats of Hinkley "B" and Hunterston "B" would not have been ordered in 1981 by each of the two home utilities. If it was a system given to construction difficulties and delays, these two projects would not now be on programme and within budget; indeed the performance overall to date does great credit to the British nuclear and power station construction industries which not so long ago were in some disarray.

Three of the five prototype stations, Dungeness "B," Hartlepool, and Heysham "1," were managed under a very special industrial style and Hartlepool and Heysham "1" also adopted a radically new layout involving different engineering concepts including the boilers; it is to both these areas, rather than to the AGR as a system, that one could attribute their limited performance when compared with the Hinkley "B" and Hunterston "B" stations.

The article states that the two successful Hinkley "B" and Hunterston "B," AGRs which have been operating since the mid 1970s "still do not produce their design output." The author, and others, will know that the critical performance indicators (reliability and unit generating cost) are very good despite the limits on output relative to the original design intention and that interim ratings are progressively being raised as operational techniques and experience develop. It should be noted also that the reasons for the de-rating have been essentially eliminated from the new Heysham "11" and Torness design where it is expected that, in due course, outputs of around 700Mw per reactor will be obtained compared with the 660Mw rating.

Terry Harrison.
NEI House,
Regent Centre,
Newcastle-upon-Tyne.

Riding the rails

From Mr R. Gibbons

Sir, — The statement in your article of January 18 on the General Motors diesel locomotives being delivered to Foster Yeoman, to the effect that these would be the first privately owned locomotives to operate regularly on British Rail, had us railway buffs reaching for the record books.

This statement really needs to be qualified, at least by the addition of the words "except for privately preserved steam locomotives and locomotives owned by their manufacturers." For example, BR has operated regular scheduled passenger services between Fort William and Mallaig during the past two summers using a pair of privately owned steam locos, while there were several prototype diesel locos which ran extensive trials in revenue-earning service during the 1960s.

R. J. Gibbons.
1, The Mortins Drive,
Linslade,
Leighton Buzzard, Beds.

FINANCIAL TIMES

Friday January 17 1986

FRANCE 'WILL BACK CO-ORDINATED POLICY'

Fed official rules out G5 rate cut

BY GEORGE GRAHAM IN LONDON

A SENIOR US central banker yesterday ruled out any prospect of a co-ordinated interest-rate cut resulting from this weekend's meeting of finance ministers of the Group of Five (G5) leading industrial countries.

Mr Frank Morris, president of the Federal Reserve Bank of Boston, said in London that the US would he pressing the other G5 countries for more expansionary policies, but he did not expect it to succeed.

"If there was ever a time when the Germans could follow a more expansionary policy it is now, but I do not think they feel happy about it," he said. "The Japanese response to the initial Group of Five meeting was a little disappointing. We wanted to see the yen rise, but not because Japanese interest rates bad been increased."

Mr Morris said it was a mistake to believe that the Fed was now less concerned about inflation, although one of the preoccupations of central bankers around the world now was dealing with the aftermath of disinflation.

"In the Federal Reserve we are very much aware thet the inflationary psychology may have been subdued, but it has not been eliminated," he said.

Mr Morris, who was speaking at an economic conference organised by the US investment bank Shearson Lehman Brothers, said the world desperately needed a lower level of interest rates.

"A decline in interest rates would do more than any other single thing to ease the debt problems of the less developed countries," he said.

Our Financial Staff writes: Mr Pierre Bérégovoy, the French Finance Minister, is likely to give strong backing at the G5 meeting to the idea of co-ordinating interest-rate policies in leading industrial countries, according to Finance Ministry officials in Paris.

The fall of the dollar since last September's agreement on concerted intervention had been satisfactory, but the situation was fragile and the September agreement needed to he reinforced, one senior monetary official said. The best way to strengthen the agreement would he to co-ordinnte interest-rate policies. "Interest rates heve been left for too long as an uncontrolled variable," the French official said.

Mr Bérégovoy himself said at a reception on Wednesday: "A cut in interest rates would he good for everyone, including the developing countries."

The French comments yesterday followed remarks on Wednesday by Mr Martin Bangemann, the West German Economics Minister, that there might be a move for lower interest rates at the talks in London.

Official sources in London, Bonn and Washington sought to play down the significance of the remarks to arrest speculation on money markets, which had knocked the value of the dollar and sent gold and government bond prices soaring.

Mr Bangemann's remarks were described openly in Bonn as a violation of the confidentiality rules surrounding G5 meetings, which involve ministers and central bankers from the US, Britain, West Germany, France and Japan. Mr James Baker, the US Treasury Secretary, said on Wednesday: "It is not our policy to discuss in advance the positions we may or may not take in private G5 meetings."

Mr Gerhard Stoltenberg, the Finance Minister, not Mr Bangemann, will represent Bonn at the G5 talks in any case.

Mr Noboru Takeshita, the Japanese Finance Minister, speaking to reporters before he left Tokyo yesterday, said that interest rates would be a topic at the meeting, adding that he hoped the ministers could agree on a common perception of the need to ease credit conditions.

The French officials, meanwhile, declined to comment yesterday on whether Paris would be pressing for a further fall in the dollar.

SA bank rate cut as gold index hits new peak

By Anthony Robinson in Johannesburg

THE South African Reserve Bank yesterday reduced its bank rate from 13 to 12 per cent, followed by a 1 per cent drop in commercial bank prime rates to 15.5 per cent, against the background of a strengthening rand and a rising gold price which raised the Johannesburg all-gold index to record levels.

Commenting on the latest rate reduction, Dr Gerhard de Kock, Governor of the Reserve Bank, said that the economy had moved into the early stages of an export-led cyclical upswing during the fourth quarter of 1985.

He cited such recent favourable developments as the higher dollar gold price and an improvement in agricultural prospects after good rains and said earlier predictions of 3 per cent gross domestic product (GDP) growth appeared well founded.

Dr de Kock revealed that the current account surplus of the balance of payments rose to between R7bn and R8bn ($2.25bn-$2.58bn) on an annualised basis in the fourth quarter of 1985 to give an expected surplus for the year in excess of R6bn. He forecast a further large surplus in 1986 even if growth rises to 3 per cent.

Noting that the present recovery was starting from a low base, he added that the economy showed substantial surplus capacity, high unemployment and little sign of a recovery in fixed investment. The rate of increase in the broad money supply (M3) declined from 24.7 per cent in November 1984 to 9.7 per cent in November 1985, which was well below the 16.9 per cent increase in the consumer price index over this period, he said.

"Against this background it remains official policy to encourage investment and consumer spending. It is to this end that the Reserve Bank is now promoting a further decline in interest rates which in no way implies a weakening of the resolve to curb inflation," Dr de Kock said.

He warned that the cost-push effects of rand depreciation since July 1985 "caused largely by the withdrawal of overseas funds" was, however, bound to accelerate further before it declines again.

Yesterday the rand continued its steady climb against the dollar and other leading currencies, closing at 43.30 US cents after opening at 43.05. The unwinding of trade leads and lags after the imposition of tighter exchange controls on December 9 is the main underlying cause of the rand's recovery, dealers said. But the higher dollar gold price has also greatly improved sentiment on the foreign exchange market and the Johannesburg Stock Exchange (JSE).

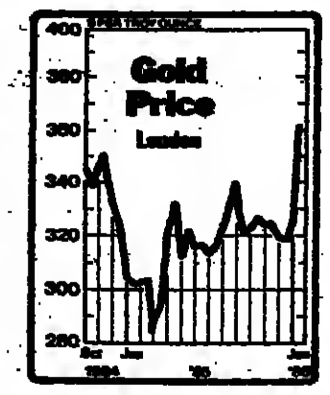
The JSE all-gold index soared 44.3 points to a record 1,289.5 yesterday, which helped to push the overall index to a new high of 1,419.4, despite a marginal decline in the industrials index to 1,097.7.

Of the 59 gold shares traded at the close 56 were higher and three unchanged, with strong foreign buying helping to push most favoured shares like Randfontein up R8 to R275 and Elandsrand 70 up R2.50 to R23.50.

● In the liveliest day's trading for months, gold prices raced ahead in Zurich, London and New York before falling back heavily. In London, gold climbed from an opening price of $346.25 an ounce to n momentary peak of $379 before falling to close nt $362.00.

THE LEX COLUMN

Flying the flag with Hanson



Hanson Trust may, as it solemnly suggests, have taken e 15 per cent interest in Westland simply to cement the trading relationship between Hanson Air and Sikorsky/Westland but, when several other explanations spring to mind, it scarcely looks very likely. The Hanson Air fleet could be accommodated in a modest hangar and represents n minuscule proportion of the group's capital employed. Even so austere e company as Hanson Trust must own n fleet of cars but the group has never sought to ensure continuity of supply by taking n long-term investment to Ford Motor.

A cursory glance at any Hanson Trust report and accounts will reveal that Lord Hanson favours, in no particular order, private enterprise, the United States and Mrs Thatcher. The possibility that a European consortium, containing three state-owned enterprises, might snatch control of Westland from a US public company looks almost sufficient reason in itself for Lord Hanson and Sir Gordon White to intervene.

The accounts would also show, however, that matters of principle never stand in the way of making a profit. Hanson Trust has indeed paid n significant premium over the market price for its investment but a holding in a near bankrupt company is highly geared in both directions. Lord Hanson may well reckon on that the downside is limited by the political need to keep Westland airborne while the upside, in such a fluid situation, could be considerable.

Clyde

A series of shut doors in the City of London has not yet proved an insuperable financial obstacle for those inventive oil companies which want to stay in business through a bear market for oil prices; but yesterday's deal from Clyde Petroleum certainly beats crown-jewel disposals and defensive share swaps for elegance.

It is not simply that Clyde is wheeling out that old stager, the purchase of Forties units, to provide a tax shelter for its UK exploration. Berkeley bought a unit yesterday, issuing yet more of its unwanted paper at a discount to the share price and nobody rejoiced at that. Clyde has managed to find a refugee from another highly regulated oil industry in a state of gentle devastation, viz. Australia, to take its shares at a 25 per cent premium, thus reducing asset dilution, on a tax-efficient basis, to n minimum. The fact that the tax shelter does not become fully watertight for Clyde except at n lower oil price is an additional neat touch, which will be lost only on those institutions which think that even sheltered exploration is good money wasted.

The deal may well mean that Clyde, which has not been the luckiest company so far, will emerge as the strongest exploration independent by default. Moonie Oil will probably raise its Clyde stake to 20 per cent, so as to consolidate the investment, but this is no tiger ride like Lasmo's sale of equity to RTZ: indeed, Moonie seems impelled as much by the attentions of Elders as by a need to look for acreage outside Australia.

Imperial Group

The Imperial Group defence document pulls few punches in its attack on Hanson Trust. While there is no doubt that Hanson is sensitive to the criticism that earnings growth is derived from acquisitions, the apparent suggestion that Hanson will need to make a £10bn takeover in 1990 does seem to be overdoing it a bit. And there must be some risk that the boomerang thrown yesterday will come winging back with the next Hanson Trust document.

For example, Imperial's charge that Hanson operates in declining industries may be fair but can be made equally well against a company which derives its profits from food, beer and cigarettes. Moreover, while acquisition accounting may be helpful to Hanson, Imperial's own accounts leave a good deal to be desired. Yesterday's preliminary statement on the year to October was miserably thin on detail, particularly given Imperial's excellent record of disclosure. Profits on pub disposals are nowhere to he found, leaving the 33 per cent rise in second-half profits at Brewing & Leisure a mysterious figure, and there is little information on the breakdown of e £60.9m extraordinary item. Imperial has charged extraordinary debits in each of the past five years – they have averaged £47m a year – and shareholders are entitled to ask just how extraordinary they are in the absence of clearer information.

Similarly, Imperial has been a touch naughty in claiming an asset revaluation of £616m and then knocking that figure out when it calculates the return on capital employed. It will not, after all, he beyond the wit of Hanson Trust to add in the valuation surplus and restate the return on n less flattering basis.

Imperial should be able to forecast pre-tax profits of around £275m – before property items – for the current year, and after yesterday's 8p rise in the Imps share price, to 258p, the Hanson offer looks less likely than ever to succeed on the present terms. But, having devoted so much attention to its assault on the Hanson share price, Imperial must he vulnerable to a higher offer containing n significant cash element.

Gold

The gold market is at last showing signs of life. The presence of a single and very substantial purchaser – Hanson Trust yesterday denied it was the mystery buyer – has been keeping the bullion price moving ahead since Christmas. Yesterday, after Chicago options traders had been awoken from their beds by a sudden rise in London, the market really took off. The correct price for gold is, in the current climate, anyone's guess. The recent upsurge has not been justified by any change in the supply and demand picture or by a movement in the dollar exchange rate. Whereas it was earlier believed that the unnamed purchaser was in the market for 100 tonnes of gold, the rumour now is that an even larger amount may be sought. If that is the case, the gold price could easily touch $400 an ounce. If not, yesterday's closing London price of $362 may be vulnerable to attack.

Clyde to pay $25m for N. Sea oil stake

By Dominic Lawson in London

CLYDE PETROLEUM, the UK oil exploration company, yesterday announced a series of transactions designed to make the company a well armed predator in the continuing shake-out in UK independent oil sector.

Clyde will buy from Texaco, the US oil company, a 0.75 per cent stake in the Forties oil field, the North Sea's biggest, for $25m. Most of the cost will be funded by issuing Texaco with 22m Clyde shares, which Moonie Oil of Australia will buy from Texaco at 75p each. The balance will be paid in cash.

As a result of the deal, Moonie Oil, a leading Australian oil and gas company with a market capitalisation of about £100m ($144.2m) will take a 19 per cent stake in Clyde. Moonie, shares of which are listed in London, will not take more than a 20 per cent stake in Clyde without the consent of the Clyde board.

At the same time, Clyde announced that it had negotiated a $125m credit facility with a syndicate of banks led by Manufacturers Hanover.

Dr Colin Phipps, Clyde chairman, yesterday described the $125m loan as "my battle chest." Dr Phipps, who is also chairman of the Association of British Independent Oil Exploration Companies (Brindex), added: "There will be continued rationalisation of the UK independent oil companies, and we want to be n predator, not a takeover target.

"We can see lots of opportunities costing about £50m and we want to be in a position to take advantage."

Moonie chairman Mr Peter Mitchell said the company saw the link with Clyde as the best path towards diversifying out of its Australian base. Last year, Moonie announced its intention to expand internationally, and acquired a 40 per cent stake in Avalon, n US oil group.

Dr Phipps said a full merger between Clyde and Moonie was a possibility, but there were some political obstacles. The UK Department of Energy would not look so favourably on Clyde if it was felt not to be e British company, while the Australian Foreign Investment Review Board objects to a foreign company's taking more than a 15 per cent stake in an Australian company.

Berkeley Exploration and Production, another oil company, has acquired Texaco's remaining 0.25 per cent stake in Forties and bas sold part of its interest in North Sea blocks 48/18b and 49/19b to Lasmo for £2.9m.

Feature, Page 18

Oil prices fell sharply on European markets amid renewed anxiety about the imbalance between world supply and demand. Page 38

Matra takes over CGCT's private telecoms business

BY PAUL BETTS IN PARIS

MATRA, the French state-controlled electronics and defence group, is taking over the private telecommunications business of Compagnie Générale de Constructions Téléphoniques (CGCT). That is the first concrete step of a French Government-sponsored rescue of CGCT, the financially troubled ITT subsidiary nationalised by the Socialists in 1982.

The move might have important implications for the prolonged efforts of Compagnie Générale d'Electricité (CGE), the nationalised electronics engineering group, which has been striving to set up an alliance with American Telephone and Telegraph (AT&T).

To secure AT&T's support to sell its public telephone switching equipment in the US market, CGE has proposed a deal whereby AT&T would gain a 16 per cent share of the French public telephone exchange market by linking with CGCT, which controls that stake in the domestic public switch market.

However, the French post and telecommunications ministry and other government departments have cooled significantly on the CGE-AT&T deal. A decision on the transaction bas been postponed until after the March 16 general elections, which the right-wing opposition is widely expected to win. At the same time, senior opposition industry spokesmen have also recently expressed their misgivings on the CGE-AT&T project.

By encouraging an agreement between Matra and CGCT on the former ITT's private telecommunications business, the Government has reduced the manoeuvring room in the CGE-AT&T negotiations.

Under the original CGE-AT&T plan, AT&T and its Dutch partner Philips were to have associated themselves with CGCT in the public telecommunications field, while Philips would have linked with CGCT in the private telecommunications sector, which accounts for about half CGCT's business.

However, the French Government subsequently encouraged a "French solution" for the private telecommunications businesses of CGCT. Matra was in competition for the CGCT system against Jeumont-Schneider, the telecommunications subsidiary of the private Empain-Schneider group.

The Matra-CGCT deal will initially see Matra take a 20 per cent stake in a new company grouping together CGCT's private telephone business. After two years, Matra will increase its stake in the new company, taking a majority interest. To support the new venture, the Direction Générale des Télécommunications (DGT), the French telecommunications authority, will grant about FFr 200m ($26.5m) in financial aid to the Matra-CGCT association.

Both companies say the alliance will strengthen their business in private telephone sets, terminals, private switches and radio telephones. They will also be linking their research activities. Matra's telecommunications subsidiary employs about 27,000 people and had sales of about FFr 1.3bn last year.

In a further effort to cut losses and return the company to a more viable footing, CGCT wants to reduce 1,300 jobs out of a CGCT group total of about 7,000 people. CGCT expects to lose FFr 250m in 1985 after a deficit of FFr 1bn on sales of FFr 2.7bn in 1984.

But the CGCT job cuts are posing another serious headache for the Government because about 500 jobs are in the depressed north of the country. The latest job reductions might thus have serious political repercussions for the Socialists in the north during the election campaign.

OECD warns on stability of dollar

Continued from Page 1

move into a net international debt or position for the first time since the First World War.

The OECD also says that other countries – which it does not name – should be prepared to take up some of the slack in the world economy caused by slower US growth. The OECD's reference, in diplomatic language, to the need for overall "policy settings" to sustain world growth is based on OECD economists' view that West Germany and Japan could do more to generate non-inflationary expansion.

Pointing out that the US current account deficit is likely to rise to nearly $150bn this year, the OECD says that the overall current account shortfall during 1983 to 1986 will have been more than $400bn.

Setting down its view – which is opposed by the US Administration – that high real US interest rates have been caused in part by the budget deficit, the Secretariat says that the transfer of excess world savings to the US is more likely to have financed additional government spending, private consumption and house-building than productive investment.

The OECD warns that the build-up of US international debts could set off a "slow working but powerful destabilising mechanism"

Alusuisse chiefs to quit after reports of losses

BY JOHN WICKS IN ZURICH AND IAN RODGER IN LONDON

THE CHAIRMAN and the chief executive officer of Alusuisse, the troubled Swiss aluminium producer, will resign within the next few weeks, the company said yesterday.

The dramatic shake-up at the top of the company follows unconfirmed reports that it lost heavily last year and may have to bear substantial write-downs from assets.

Alusuisse, one of the traditional leaders in the world aluminium industry, has been hit hard by the depressed state of world aluminium prices for most of the past five years.

After three years of losses between 1981 and 1983, it made a profit of SFr 168.7m ($80.95m) in 1984 on the strength of n short-lived recovery in aluminium prices. The company would not confirm reports yesterday that it had lost SFr 90m in 1985 and would have to write down its assets by SFr 250m.

The Alusuisse board is to meet in the next few days, although it was not clear yesterday that a decision would then be reached on the resignations of the chairman Mr Emanuel Meyer, and the chief executive, Mr Bruno Sorato. The company would only say that Mr Meyer and Mr Sorato would resign "at the latest at the shareholders' meeting scheduled for April 23."

The designated successor of Mr Meyer is Mr Nello Celio, who is already on the board. Mr Celio had been the company's chairman before joining the Swiss Cabinet in 1967, where he served as defence minister and subsequently finance minister between 1967 and 1973.

Mr Hans Jucker, currently head of the group's chemical subsidiary, Lonza, and a member of the parent company executive committee, is expected to take over from Mr Sorato.

Alusuisse is the world's sixth largest aluminium producer, with smelting and fabricating plants located around the world.

In common with other integrated groups, such as Aluminum Co of America, Péchiney of France and Alcan of Canada, it has faced increased competition from independent smelters in developing countries in recent years and a slowing in the growth of demand for the metal.

Alusuisse has worked hard to diversify its interests, but aluminium still accounted for about two thirds of its total sales of SFr 4.1bn in the first half of last year.

There was widespread speculation yesterday that external auditors had demanded that Alusuisse write down its assets by SFr 250m after earlier overvaluations.

Fresh Soviet proposal on missiles

Continued from Page 1

US and Soviet negotiators went into yesterday's two-hour session and retired behind the veil of "confidentiality" under which it is agreed that the talks in Geneva are to be conducted.

Reginald Dale in Washington writes: President Ronald Reagan yesterday welcomed Mr Gorbachev's latest proposals as "different from things we've heard in the past" from Soviet leaders. But he reserved judgement on whether it meant a serious commitment by Moscow to negotiate an arms agreement in Geneva.

Responding to reporters' questions, Mr Reagan said: "We're very grateful for the offer" and he promised to study it with great care. He added, however, that the final US response would depend on what happened at the arms control talks.

Mr Reagan noted that this was "just about the first time" that a Soviet leader had proposed actually eliminating all nuclear weapons.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	58	Dubrovnik	C	18	50	Malaga	–	–	–	Salzburg	C	1	34
[illegible]	C	17	63	Faro	S	18	61	Malta	F	18	61	Seoul	C	1	34
Algiers	C	17	63	Florence	S	11	52	[illegible]	S	39	88	Singapore	F	29	84
Amsterdam	C	4	39	Frankfurt	F	4	39	Miami	S	20	68	Stockholm	S	-11	12
Athens	S	18	64	Funchal	F	18	64	Milan	S	12	54	Strasbourg	C	4	39
Bahrain	S	21	70	Geneva	C	3	37	Moscow	Sn	0	32	Sydney	C	25	77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Westland vote today

Continued from Page 1

helicopters in the (Hanson) conglomerate did not add up."

Peter Riddell, Political Editor, writes: Senior Conservative ministers yesterday rallied round Mr Leon Brittan, the Trade and Industry Secretary, as the opposition and Mr Michael Heseltine, the former Defence Secretary, continued to press their criticisms of the Government's handling of the Westland affair.

After Wednesday's dramatic House of Commons debate, friends of Mr Brittan claimed that he was now over the worst and had won some breathing space after the previous pressure upon him. He said yesterday there was "no question" of him resigning.

Mrs Thatcher is reported to have congratulated him on his robust performance in the debate, in contrast to her previous rather detached attitude.

Nevertheless, neither Mr Brittan nor the Government is yet out of the woods. There are still a number of unanswered questions and the Government faces a major inquiry by the defence select committee, starting next week. Senior Conservatives recognise that it will take some time to counter the damage of the past fortnight.

FINANCIAL TIMES
Friday January 17 1986

Electricité de France breaks out of the red

BY DAVID MARSH IN PARIS

ELECTRICITÉ de France (EdF), the French electricity utility which is one of the largest borrowers on international capital markets yesterday announced a net profit of FFr 990m ($120m) for last year and said it planned to take gradual steps to reduce its outstanding debts of FFr 213bn.

Last year's results, following a loss of FFr 900m in 1984, were the best for eight years. They resulted both from a further increase in the eficiency of France's nuclear-based electricity generating network and also from a slower pace of investment.

The ebbing of the dollar towards the end of last year helped cut the end-year debt total, compared with FFr 216bn at end-1984 – the first time in EdF's 40 year history that this has happened, Mr Marcel Boiteux, the chairman, said.

EdF's improved financial performance was accompanied by higher electricity sales. EdF has been making a hig effort to make maximum advantage of its burgeoning nuclear power station network, which provided 70 per cent of the utility's electricity output last year and 65 per cent of total electricity production in France.

Total electricity production last year rose 6.1 per cent to 328.8bn kilowatt hours, with domestic consumption up 7.3 per cent to 303 kWh. Electricity exports to neighbouring countries were slightly lower at 23.4bn kWh but increased sharply in value terms to FFr 10bn from FFr 5bn as a result of a FFr 3.7bn payment from Swiss utilities.

Mr Jean Guilhamon, EdF's managing director, said new power transmission lines opened with Italy and the UK – the latter is coming into operation in stages over the rest of the year – should allow a further increase in exports in 1986.

EdF, which already provides the lowest electricity prices of the main industrialised countries, is cutting electricity tariffs by 1 per cent a year in real terms under a government agreement running between 1984 and 1988. Mr Boiteux said it would be up to the Government to decide which of the two necessities – making further cuts in tariffs or reducing indebtedness – should take priority.

Total investment last year rose slightly to FFr 36.9bn from FFr 38.7bn – a fall in real terms as a result of slowing nuclear plant construction. The falling dollar had little effect on reducing debt service costs as the average value of the US currency rose over the year. Financial charges last year rose to FFr 57.5bn from FFr 52.6bn, compared with turnover of FFr 130.9bn (FFr 119.2bn in 1984).

Net borrowing was reduced to FFr 15.7bn from FFr 11.7bn. Mr Boiteux said the fall in the dollar at the end of the year cut provisions on potential currency losses on its end-year debt to FFr 9bn in 1985 from FFr 30bn in 1984. Of EdF's current debt FFr 88bn is in foreign currencies.

Security Pacific maintains growth

By William Hall in New York

SECURITY PACIFIC, the big US West Coast banking group is continuing its steady growth, and yesterday reported a 10.9 per cent rise in 1985 net income to $322.8m, or $4.35 per share.

Mr Richard J. Flamson III, the group's chief executive, said that "the 1985 results represent the 11th consecutive year of good earnings growth" and underlined the wisdom of its recent diversification strategy.

"The balance brought about by this diversification was important again in 1985, as strong growth in earnings from our specialised financial services system offset continued adversity among some of our customers in domestic industries," said Mr Flamson yesterday.

The group increased its fourth-quarter provision or credit losses from $75.9m to $149.7m which reflected "a substantial increase in net credit losses." Nevertheless, a strong rise in non-interest income in the fourth quarter enabled the group to post an 6 per cent rise in net earnings to $86.1m.

Credit losses totalled $53.1m in 1985 *against $210.0m in 1984* and the losses continued to be concentrated in the energy portfolio which accounted for around a third of the total. The group increased its annual provision against loan losses from $237.7m to $379.4m.

Non-performing loans fell by $185m from a mid-1985 peak to $1.13bn at the end of 1985 when they accounted for around 3.1 per cent of total loans.

Bank of New York reported its eighth year of earnings gains by posting a 21.1 per cent rise in 1985 net income to $130.3m. Its fourth-quarter net income rose 16 per cent to $33.6m.

First Bank System, the 14th largest US banking group in terms of 1984 year-end assets, said full year net earnings increased to $166.78m or $5.68 a share from $121.1m or $4.15 a share. Fourth-quarter net earnings grew by 12.7 per cent to $44.7m or $1.52 a share from $39.7m or $1.33 a share.

Marine Midland, the New York-based group which is majority owned by the Hong Kong and Shanghai Banking group, said full year net earnings increased to $125.1m or $6.06 a share from $106.45m or $5.01 a share in 1984.

Fourth-quarter net earnings grew by 2 per cent to $30.23m or $1.47 a share from $29.7m or $1.41 a share. The group noted that the 1984 fourth-quarter and full year net earnings were bolstered by a $16m or 84 cents a share extraordinary gain.

NBD Bancorp, the Detroit-based banking group which ranked as the 28th largest in terms of 1984 year-end assets, said full year net earnings grew to $18m or $4.85 a share fully diluted compared with $94.5m or $3.94 a share in 1984. Fourth-quarter net earnings increased by 16 per cent to $31.83m or $1.22 a share from $27.4m or $1.14 a share in the 1984 period.

Republic New York, which ranked as the 30th largest US banking group in terms of 1984 year-end assets, said fourth-quarter net earnings jumped to $38.04m or $1.59 a share from $25.15m or $1.33 a share in the year-ago period.

MCA buys stake in Cineplex to extend cinema network

BY BERNARD SIMON IN TORONTO

MCA, the California-based entertainment conglomerate, is to extend its distribution network by buying a substantial interest in Cineplex Odeon of Toronto, North America's largest theatre operator.

MCA will initially pay C$106.7m (US$76.2m) for 10.9m Cineplex shares, equal to 33 per cent of the total, making it Cineplex's largest single shareholder.

MCA has the right to buy another 10.9m shares within 42 months at a price of no less than C$9.90 a share. The right can only be exercised if MCA maintains its one third interest in Cineplex.

In terms of a dilution formula, MCA's eventual shareholding will be limited to no more than 50 per cent and its voting rights to one third minus one share, to comply with guidelines laid down by the Canadian Government. The film industry is one of several politically sensitive cultural sectors where foreign control is discouraged.

Mr Sid Sheinberg, MCA's president, said that the investment "indicates our confidence in the economic future of theatrical exhibition in North America." He forecast that Cineplex would have a "positive" impact on MCA earnings in 1986 and beyond.

Cineplex also announced that it is buying the 50 per cent it does not already own of the Plitt Theatre chain in the US. This acquisition, valued at US$17m, will give Cineplex 1,117 theatres in 395 locations across North America. Cineplex posted earnings of C$8.2m in the nine months to September 26 from revenues of C$127.5m. The company expects 1986 revenues to reach C$450m.

MCA and Cineplex formed a joint venture last year to build the world's largest cinema complex at MCA's Universal Studios outside Los Angeles. The project includes 17 theatres with 5,600 seats.

Sound start at Walt Disney

By Our Financial Staff

WALT DISNEY Productions, the US movies and leisure group, yesterday reported a solid start to its fiscal year with first-quarter net profits up from $32.2m, or 95 cents a share, to $34.7m, or $1.04.

The rise was attributed to a strong showing at Disneyland and Walt Disney World, and improved performances on the film side. Revenues climbed from $428.5m to $504.1m.

In the entertainment and recreation business, where operating profits rose 66 cent to $43.9m, the company cited excellent attendance during the Christmas period at its theme parks and higher per-capita spending there.

Operating profits in the films business jumped 49 per cent to $22.9m, helped by the domestic Christmas reissue of 101 Dalmatians, foreign syndication licence agreements and improved profits for the Disney Channel.

● Twentieth Century Fox Film, in which Australian-born publishing magnate Mr Rupert Murdoch has a big stake, bounced back into the black in the first quarter with net profits of $2.2m, against a loss of $12.4m a year earlier. Revenues rose from $168.6m to $197.8m.

Turner alters MGM/UA offer

BY OUR NEW YORK STAFF

MR TED TURNER, the flamboyant TV entrepreneur from Atlanta, has revised for the second time the terms of his $1.5bn bid for MGM/UA Entertainment, the Hollywood film group, and has substantially reduced the cash element of the bid.

MGM/UA Entertainment and Mr Turner's Turner Broadcasting System (TBS) announced yesterday that they had agreed, subject to board approval, to restructure the terms of the deal. Under the revised terms Turner is offering $20 per share in cash plus one share of a new issue of TBS preferred stock for each common share of MGM/UA. The preferred stock will have a stated value of $10.33 a share with dividends commencing in the second year at the rate of 14 per cent per annum.

On Wall Street, where there has been considerable concern about the fate of the long-running bid, MGM/UA shares rose by $2½ to $22½ early yesterday morning.

Mr Turner had originally offered $29 per share cash for MGM/UA's 49.7m ordinary shares when the deal was first announced last August. In October, the terms were revised and the cash element reduced to $25 per MGM/UA share and one share of a new TBS preferred stock.

Dividends on the new TBS preferred stock will be paid in cash to the extent permitted by TBS's debt instruments or in common shares of TBS. The TBS stock would be valued at market price before the dividend payment dates except during the second and third years following issuance when TBS common stock would be valued for dividend purposes at not less than $15 per share.

Major Swiss chemicals groups reach record turnover levels

BY JOHN WICKS IN ZURICH

SANDOZ and Ciba-Geigy, the Swiss chemicals and pharmaceuticals groups, reported record turnover during 1985 with Sandoz directors recommending a higher dividend on its participation certificates.

Sandoz's turnover rose by 14 per cent to SFr 8.5bn ($4.08bn) or by as much as 24 per cent in terms of local currencies.

Consolidated earnings, which had risen by 28.4 per cent in 1984 to SFr 411m, are "expected to show a further improvement." Last year, the parent company raised its dividends to SFr 90 per share and SFr 16 per participation certificate following an increase in its net profits from SFr 100.7m to SFr 112.4m.

The sharpest sales gain in 1985 was that of the chemicals division, up 25 per cent in Swiss franc turnover to SFr 2.11bn due to strong growth in established markets and the takeover of the US building-chemicals firm Master Builders, Cleveland, from Martin Marietta.

Pharmaceuticals sales rose 13 per cent to SFr 3.91m, with particularly marked growth in North America and Japan and "significant advances in all other main markets."

The agro-chemicals division showed a 3 per cent rise in sales to SFr 800m. The seeds division was severely affected by the situation in US agriculture in the second half, although overall turnover rose 4 per cent to SFr 710m.

Ciba-Geigy lifted turnover by 4 per cent and consolidated earnings also rose.

Group sales reached a record SFr 18.2bn, despite the divestment early last year of the Airwick consumer goods division to Reckitt & Colman. Excluding Airwick's 1985 turnover of SFr 740m, last year's sales growth is of 9 per cent in Swiss franc terms or 6 per cent in local currencies.

The major contribution to increased sales came last year from the pharmaceuticals division, whose turnover rose 11 per cent to SFr 5.59bn.

A similar increase in Swiss franc sales, to SFr 5.09bn, was booked by agro-chemicals.

Apple expands ties in personal computers

BY LOUISE KEHOE IN SAN FRANCISCO

APPLE COMPUTER, the Silicon Valley personal computer manufacturer has established "strategic alliances" with several computer and communications companies designed to ease its path into the business personal computer systems market.

Apple has signed a long-term agreement with Northern Telecom, the telecommunications equipment company, to develop methods of connecting Apple Macintosh computers through standard telephone lines to Northern Telecom's private branch exchanges. The agreement is also expected to lead to the joint development of workstations that combine voice and data communications.

Apple has also engaged in a joint development with MCI, the telephone and telecommunications company, and Dow Jones, the newspaper and financial information group. This agreement is expected to lead to simplified methods of accessing Dow Jones' electronic news retrieval services using the Apple Macintosh.

Other agreements with Prime Computer, General Electric and 3COM will give these companies the right to "co-market" the Apple Macintosh for use as workstations with their various minicomputer or local area networks.

This year Apple is expected to launch a new expandable version of the Macintosh

General Electric results flat

BY TERRY DODSWORTH IN NEW YORK

GENERAL ELECTRIC, the leading US electrical products group, reported virtually flat earnings and sales last year. The results reflected the general sluggishness of the economy, the group said.

Net income amounted to $2.34bn or $5.13 a share, an increase of 2 per cent from $2.28bn, or $5.03 a share, in 1984. Sales rose by only 1 per cent to $28.29bn from $27.95bn.

In the fourth quarter, earnings rose by 1 per cent to $660m, or $1.45 a share, from $652m or $1.44 a share. Sales jumped by 9 per cent to $8.73bn from $7.96bn.

Mr John Welch, chairman, held out little prospect of a significant advance in the current year. But he said the group was "enthusiastic" about the prospects of joining up with RCA, the electrical and entertainment company which GE is planning to acquire in a friendly cash bid.

Results last year were helped by improved performances in the aircraft-engine, aerospace and financial-services divisions, while the factory automation business made a significant turnround into profits.

By the end of the year, cash and liquid funds amounted to $3.3bn, while the debt-to-total-capital ratio stood at only 12.8 per cent. Research and development expenditures last year rose to $2.6bn from $2.3bn, although capital spending fell to $2bn from $2.5bn.

Work to start on Volvo plant

By Kevin Done in Stockholm

VOLVO, the Swedish automotive group, is to press ahead with the construction of a new car assembly plant in Sweden, but growing environmental demands have forced it to postpone plans for the associated body and paint shop.

Construction of the assembly plant will begin in October with the initial production planned for April 1988.

The assembly plant will have a two-shift capacity for producing 80,000 cars a year and will have a workforce of more than 1,000.

Thyssen unit forms link with Chinese

BY RUPERT CORNWELL IN BONN

THYSSEN HANDELSUNION, the trading arm of West Germany's biggest steel group, has set up in Duisburg a new subsidiary jointly owned with Chinese interests to further its rapidly expanding trade ties with China.

The new concern is intended to help to consolidate the headlong expansion of its business with Peking. According to Mr Fritz Walter, Thyssen Handelsunion's chief executive, the company delivered 300,000 tonnes of rolled steel and piping to China in the first three months of the current financial year alone – the same quantity as in the entire year to September 30 1985, which itself was more than triple deliveries in 1984-85.

Mr Walter reported that profits attributable to his concern rose to DM 38.1m ($15.5m) in 1984-85, up from DM 34.4m the previous year, while investments climbed to DM 80m from DM 52m.

Macy buy-out plan approved

By Our New York Staff

THE BOARD of R. H. Macy, the New York department store group, has unanimously approved a $3.5bn management buy-out, the biggest deal of its kind in US retailing history.

Macy said yesterday that its board had approved a definitive merger agreement under which a newly-formed company to be owned by more than 300 members of its senior management, certain financial institutions and other investors would acquire all of the company's 51.45m shares for $68 cash per share.

Citibank and Manufacturers Hanover Trust Company have each committed to provide a portion of the senior bank financing.

SA gold producers boost dividend

BY KENNETH MARSTON, MINING EDITOR, IN LONDON

ANGLO AMERICAN Corporation's Transvaal gold producers have met the high expectations of industry analysts and increased sharply final dividends for 1985.

Western Deep is paying a final of 420 cents ($1.80) to make a year's total of 640 cents against 450 cents for 1984.

Vaal Reefs also shows up well with a final of 1,100 cents to make 1,900 cents against 1,340 cents while the associated Southvaal is declaring 420 cents to make 660 cents against 420 cents.

Elandsrand is paying a final of 70 cents to make 110 cents against 50 cents while South African Land ("Sallies") comes out with a 1985 total of 47½ cents against 40 cents with a latest final of 27½ cents.

Mine profits for the December quarter advanced in line with a record South African price which has averaged about R27,500 a kilogramm compared with the US price of $326 an ounce. The respective prices yesterday were R28,800 and $362, their changed relationship reflecting recent exchange-rate movements.

Cost per tonne of ore milled was contained, and those of Western Deep fell following an increased throughput. Net profits for this mine came out at R145.3m compared with R95m in the September quarter.

Vaal Reefs has had the additional benefit to December quarter earnings of the half-yearly dividend from Southvaal and has paid an increased royalty of R112.2m against R90.8m

GHH moves to complete MAN merger

BY OUR BONN STAFF

GUTEHOFFNUNGSHÜTTE (GHH) will offer six of its own nominal DM 50 shares for every seven held by outside shareholders in its main subsidiary, the engine and engineering concern Maschinenfabrik Augsburg-Nürnberg (MAN).

The announcement yesterday by GHH of the terms of its bid for the 25 per cent of MAN it does not own virtually completes plans for their merger first announced last September. That step will clear the way for a sweeping overhaul of Europe's largest mechanical engineering group.

To finance the bid, GHH shareholders will be asked to approve a DM 91.3m ($37m) increase in the company's existing DM 583.2m capital to DM 674.5m at an extraordinary meeting this year. Simultaneously, MAN shareholders will give their own separate blessing to the deal.

According to further details disclosed last night, the new holding company to run the revamped GHH-MAN – to be based in Munich – will be called MAN AG. The name of Gutehoffnungshütte, the birth of which near Oberhausen in the 16th century marked the beginning of the industrialisation of the Ruhr, will be limited to the principal plant and engineering subsidiary of the new MAN AG, to be located in Oberhausen.

The new parent will boast eight chief subsidiaries, each constituting a separate operating division. They include a new research unit, MAN Technologie, also to be based in Munich.

INTL. COMPANIES

DEC profits soar by 23% in quarter

BY PAUL TAYLOR IN NEW YORK

DIGITAL EQUIPMENT (DEC), the world's second-largest computer group, has reported a 23.4 per cent gain in fiscal second-quarter net earnings and a 14 per cent gain in revenues aided by a marked increase in demand, particularly in the US.

Meanwhile, Honeywell, the Minneapolis-based computer and control instruments group, posted a 9.6 per cent gain in fourth-quarter earnings from continuing operations, while full-year net income increased 17.8 per cent. However, earnings from continuing operations fell 7.8 per cent, excluding a special tax gain in 1984.

DEC said fiscal second-quarter net earnings in the three months to December 28 increased to $136.1m or $2.17 a share from $110.3m or $1.81 a share in the same period a year ago on revenues that grew to $1.86bn from $1.63bn.

The latest results, which were ahead of Wall Street expectations, lifted DEC's fiscal first-half net earnings to $208.4m or $3.36 a share on revenues of $3.49bn compared with net earnings of $254.5m or $4.24 a share on revenues of $3.14bn in the same period a year ago, when earnings were bolstered by a $63.25m or $1.07-a-share tax gain on the treatment of domestic international sales corporations (Disc).

Mr Kenneth Olsen, DEC's president, said: "Demand increased in the quarter, particularly in the US. This was due in part to the introduction and immediate availability of several significant products over the last 12 months." New products included the company's low-end MicroVax II system and the group's Vax 8650 Super-minicomputer, introduced early last month.

Honeywell also noted a substantial improvement in the results of its information systems group in the US.

Overall, the company reported fourth-quarter net income soared to $127m or $2.78 a share compared with $31.8m or 68 cents a share in the 1984 period, when earnings were depressed by an $8m loss on discontinued operations and a $70.6m loss on the disposal of its Synertex subsidiary. Total revenues in the latest period grew by 15.9 per cent to $2bn from $1.75bn a year ago.

For the full year, Honeywell reported net income of $282m or $6.16 a share, including a $6.2bn or 14 cents a share recovery of a loss on discontinued operations, compared with net earnings of $239m

CIC group to raise FFr 500m

BY DAVID MARSH IN PARIS

CRÉDIT INDUSTRIEL et Commercial (CIC), the French state-controlled banking group is raising at least FFr 500m ($66.6m) from the domestic and international capital markets from an issue of non voting preference shares (*certificats d'investissement*) to be made at the end of the month.

The issue, announced yesterday by the group's holding company, *Compagnie Financière de Crédit Industriel et Commercial*, will lead to the entry of non voting private shareholders to the tune of 15.7 per cent in the company's FFr 1.75bn nominal capital.

Following the issue, the state will own 60.25 per cent with the Suez financial group owning 5.75 per cent and the Groupe des Assurances Nationales insurance group 34.15

N. AMERICAN QUARTERLIES

[illegible]
Films

First quarter	1985-86 $	1984-85 $
Revenue	163.3m	179.3m
Net profits	†26.5m	1.90m
Net per share	†8.56	0.09

†Loss

PAYLESS CASHWAYS
Freight services

Fourth quarter	1985 $	1984 $
Revenue	378.9m	338.9m
Net profits	11.4m	2.6m
Net per share	0.32	0.29

INTERNATIONAL COMPANIES and FINANCE

DM bond calendar system under fire from bankers

BY MAGGIE URRY

WEST GERMAN bankers are steadily getting used to their newly liberalised capital market. But one point of concern among them is the operation of the new issue calendar for foreign D-mark bonds. One syndicate manager at a leading German bank asserts "it is not working well," while a less forthright comment is "the calendar has certain drawbacks."

The new system was introduced in May last year at the time of the market liberalisation. Other changes allowed new instruments, such as floating-rate notes and zero-coupon bonds, to be issued, permitted swaps, and let in foreign-owned (though German-based) banks to lead-manage issues. The old calendar setting committee of leading banks would not have been practicable as more banks came into the market.

Under the new arrangements, banks planning to bring issues in a particular month must inform the Bundesbank, the West German central bank, of the borrower and the size and date of the issue, three working days before the end of the previous month. The Bundesbank then anounces on aggregate volume and number of issues, breaking the figures down into types of issues though without disclosing borrower's identities. More than once the publication of these amounts upset the market as traders feared a deluge of

Since May, new issue volumes have risen significantly. From then until the end of 1985 the amount of paper expected but then not issued was less than 20 per cent of the total — a figure little different to that before the changes, according to the Bundesbank. The central bank is not at all concerned by the size of monthly calendars: if anything it wants to encourage greater new issue volume to help the outflow of capital from the country. It takes the view that, as long as issues are priced correctly for the market, there should be little trouble in absorbing them.

Borrowers are not always happy to agree to such terms if the market is in less receptive mood, as it is now. This month only DM 900m has been launched so far out of a total of DM 5.65bn, and bankers believe that a number of issues have been postponed, probably floaters and swap-related deals.

Indeed, they say that new issue managers are now putting

D-MARK NEW ISSUE VOLUME Month	Amount due (DM bn)	Amount raised (Dm bn)
May 1985	5.04	4.15
June	2.85	2.37
July	1.83	1.43
August	1.51	1.48
September	2.80	2.38
October	5.21	4.08
November	7.48	5.81
December	3.84	2.63
January 1986	5.65	0.90*

* So far.

issues on the calendar which just might come, in case the market is strong or a swap is available. Says one senior German banker: "They put in everything that seems to be possible. That leads to an unnecessarily big number which often comes as a shock to the market. If the market knew that of, say, 25 issues only ten are sure and the other 15 are possibilities, it would be more comfortable."

Another says "it is increasingly clear that more issues will be put on the calendar than will be realised. It is more important to look at the actual amount raised."

Bankers agree that the Bundesbank can be flexible about issues, perhaps agreeing to a change of date or amount, though usually not of a large issue or an increase. Nor does the central bank object to an issue being postponed. But new borrowers cannot be substituted for issues on the calendar which are withdrawn. Nor can issues be introduced during the month, "If I call on the 17th and say I can bring a deal on the 25th, they say come back three days before the new month," explains a syndicate manager.

Some, particularly the foreign-owned banks which are trying to expand in the market, would like to see even greater flexibility and, eventually, the abolition of the calendar altogether, though they admit that this is not a realistic hope in the short term. They would prefer the system used in the Eurodollar market, for example, where the timing of a new issue is up to the lead manager and the borrower, and deals can appear within a matter of hours. It would be up to the banks to be responsible about pricing; those which were not would risk making losses—as banks in the Eurodollar market do.

Other bankers disagree and wish to retain the calendar system, while arguing that the Bundesbank should be more flexible. "The solution is to keep the Bundesbank involved, but for it to be less of a notary public and more of a market participant, prepared to accept changes," suggests a German banker.

"There should be the flexibility to launch when the market is there and not on certain dates. As a participant I would like the flexibility to use market opportunities. So many deals now are swaps and it is hard to plan them four weeks in advance," argues a syndicate manager.

The Bundesbank is watching the market carefully and keeps the whole idea of the calendar under review, asking bankers occasionally whether they wish the system to continue. The Central Bank itself would itself to prefer to keep the calendar because of its concern to keep the D-mark foreign bond market firmly anchored in West Germany and its sensitivity about the D-mark's role as a reserve currency.

That control over the market could slip away if banks could act as they do in the Eurodollar market — launching issues offshore at any time they judge the market is right.

UBS gives details of revised issue fees

By William Dullforce in Geneva

UNION BANK of Switzerland yesterday unveiled details of the cheaper fees that the Swiss big bank syndicate is offering foreign borrowers in an attempt to halt the slide in its share of the market in Swiss franc bond issues.

The new underwriting fees are 2¼ per cent on issues with maturities of eight to nine years, 2½ per cent on 10 and 11-year issues, 2¾ per cent on issues of 12 to 14 years, 2⅞ per cent in the 15- to 20-year range and 3 per cent for any maturity above 20 years.

The syndicate is abolishing the ⅛ per cent stock exchange listing fee it has taken until now, but it is introducing a fixed SFr 125,000 out-of-pocket charge on each issue, whatever its size or maturity.

The management fee stays at ½ per cent for the first SFr 100m of an issue, ¼ per cent on the next SFr 100m and ⅛ per cent from SFr 201m to SFr 500m. No management fee is charged for the portion above SFr 500m.

The saving in borrowing costs will favour the bigger value bonds with longer maturities. Total costs for a SFr 100m bond with a maturity of 10 years will be SFr 3m compared with the SFr 3.25m previously charged by the syndicate, according to Dr Arthur Wulkan, head of the UBS issuing department.

Charges on a SFr 200m 15-year issue will decline from SFr 7.25m to SFr 6.375m.

Mr Wulkan says the reduction in fees represents an adjustment to international market standards. The big Swiss banks have always argued that their relatively high commissions on Swiss franc issues were justified by the expense of maintaining the extensive branch networks in Switzerland which gave them their placing power.

The new fee structure still provides for a premium for the cost of this network but has considerably narrowed the gap between the syndicate's charges and those standard on the Euromarket.

The main motive for the cut in fees, however, is the competition from other syndicates, in particular ad-hoc syndicates in which foreign banks have been strongly represented.

Saab withstands market reversal

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

AN EARLY setback on Wall Street spilled over into the Euromarket yesterday afternoon, spoiling a promising start to the day and pushing several new issues to discounts well outside their fees.

Dealers said the market remains very nervous ahead of the meeting of Finance Ministers from top industrial countries this weekend, with some participants now sceptical of the ensuing prospect for any concerted action to cut interest rates.

Among new international bond issues a $125m, five-year deal for Sweden's Saab-Scania was one of the few to withstand a market reversal that saw up to ⅜ points knocked off secondary market prices of fixed-rate dollar bonds.

Led by Enskilda Securities with a 9⅛ per cent coupon and issue price of 100⅛ per cent, it traded yesterday afternoon at a discount of 1⅛ points, well within its 1⅞ per cent total fees. The deal was helped both by the rarity of the name — this is Saab's first bond for nine years — and by its launch margin of 75 basis points over equivalent US Treasuries.

Less fortunate was Italy with its $200m, five-year, 8⅞ per cent issue launched late on Wednesday night by Chemical Bank International. Despite its tight terms the issue initially met some demand in the Middle and Far East, but later yesterday it required what the lead manager described as "modest support" and eventually slid to a discount of just over two points compared with its fees of 1⅞ per cent.

Similarly the turn in the market weighed on a $200m, 12-year 9⅞ per cent issue for Philip Morris, launched yesterday morning at 100⅜ per cent by Swiss Bank Corporation International. Regarded as reasonably priced at the outset, this bond slipped with the market later. Philip Morris is a relatively heavy borrower and this began to count against it in a market where US corporate issues are less popular than they used to be, though by the close it was quoted by the lead manager narrowly inside its 2⅛ per cent fees.

Also launched yesterday evening was a $200m, five-year 9 per cent issue at 100⅛ per cent for Credit Lyonnais, though the deal came too late to be actively traded.

In the floating-rate sector, Fiat Finance and Trade launched a $100m issue bearing warrants allowing the purchase of a fixed-rate D-mark issue along the lines of the deal for Commerzbank offered earlier this week. The structure allows the proceeds to be swapped into floating-rate dollars at a rate well below the London interbank bid rate for deposits (Libid).

The five-year deal is led by Societe Generale and carries interest at a margin of 9 basis points over three-month Libor in the first year, changing thereafter to six-month Libor. Each $10,000 bond carries 10 warrants to purchase a total of DM 23,000 nominal of a 6⅞ per cent bond at par.

The warrants can be exercised either by surrendering the floater itself, in which case an exchange rate of DM 2.3739 will apply, or the D-mark bonds can be bought for cash in which case an equivalent amount of the floater will be redeemed.

The borrower is seeking speedy exercise of the warrants and has chosen a three-month interest period in the first year to encourage this. The hope is that investors will therefore regard the floater as a very short term instrument, compensating for the low margin. The warrants themselves, which are priced at $45, are regarded principally as a currency hedging instrument.

In Germany, Austria's floating-rate issue has been fixed at DM 600m, rather short of the maximum scheduled amount of $1bn. Lead manager CSFB-Effectenbank says the scheduled total was put in the calendar at DM 1bn to give maximum flexibility to the issue has not been very enthusiastic since this market is overloaded with capped floaters. Yesterday the paper traded outside its 73 basis point fees.

One fixed-rate issue was launched in Germany yesterday, for Industrial Development Bank of India which is raising DM 100m over seven years at 99⅞ per cent through Dresdner Bank. This is India's first bond issue in Germany and met limited demand despite its high coupon. Otherwise prices followed the general trend, falling back in the afternoon after a firm start, to close ⅛ per cent higher on the day.

The New Zealand dollar sector saw two new issues yesterday; a NZ$50m, three-year, 17½ per cent bond at 100⅛ per cent for Denmark, led by Banque Paribas, and a NZ$25m, five-year issue at 16 per cent and 100¼ per cent for C. Itoh, the Japanese trading company, which is guaranteed by Dai-ichi Kangyo bank and led by Banque Gutzwiller. Both issues were slow to move in a market that is traditionally difficult and dominated by retail investors on the Continent.

Industriekreditbank of Germany launched an Ecu 50m, eight-year, 8⅞ per cent issue at 100⅞ per cent led by Banque Paribas. The deal carries warrants to buy another bond with the same terms excluding the call provision which allows the host to be redeemed at par in 1990. They can be exercised by surrendering the host bond for the first four years and thereafter for cash.

Swiss franc issues rose by ¼ point in strong volume with no new public issues launched, although Swiss Bank Corporation priced the zero-coupon issue for the Asian Development Bank at 21.5 to yield 5.257 per cent, nearly a quarter point down on the indication. Also Settsu Paperboard of Japan is raising SFr 100m through a 15-year issue which was priced with a coupon of 5⅜ per cent and par issue price by Credit Suisse.

Mortgage Bank of Denmark is raising Fl 100m through a five-year, 6⅞ per cent issue at par through Amro.

International borrowing climbs by 32%

BY ALEXANDER NICOLL

A SURGE in bond issues boosted borrowing on international capital markets to a record $261.1bn in 1985, a 32 per cent increase on the previous year's $197.1bn, according to the Paris-based Organisation for Economic Cooperation and Development (OECD).

The figures, which exclude merger-related standby credits, underline the trend towards securitisation. Not only did bond issues rise sharply, but funds committed to note issuance and similar facilities increased substantially, and surpassed traditional syndicated bank lending, which continued to contract.

In the bond market, growth concentrated in Eurobond issues rather than in offerings by foreign issuers on domestic markets. Eurobond volume rose by 66 per cent from $81.7bn to $135.4bn, while total bond issue volume on international markets increased by 50 per cent from $111.5bn to $167.7bn.

Within the bond total floating rate notes, which totalled only $19.5bn in 1983, showed another sharp increase last year, rising from $38.2bn to $58.4bn.

The pace of growth of note issuance and similar facilities has been even more dramatic. From only $9.5bn in 1983, they have risen to $28.8bn in 1984 and $50.2bn last year. Syndicated bank loans, on the other band, have slipped from $67.2bn in 1983 to $56.8bn in 1984 and then to $43.2bn in 1985.

Borrowers from within the industrialised OECD area continued to account for about four-fifths of total funds raised. Eastern European countries showed a sharp recovery in borrowing while developing countries borrowed less because of a smaller amount of new loans granted in rescheduling packages.

● The rise in bond issue volume was accompanied by a sharp increase in turnover on the secondary market. The value of transactions settled through Euroclear, the Brussels-based Eurobond clearing system, rose 42 per cent last year from $1,029bn to $1,457bn, nearly three times its turnover in 1982.

Transactions cleared by its Luxembourg-based rival, Cedel, rose 47 per cent to $762bn. There is some double-counting between the two systems' totals.

Euroclear dealt with 4.4m transactions last year, up 44 per cent on 1984, and held on its members' behalf securities worth $274bn at the year-end, up 50 per cent on a year before. Participants in the system rose 1,605 to 1,811.

Both Euroclear and Cedel recently introduced same-day settlement services for Euro-commercial paper.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on January 16

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex 10⅛ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amex Credit 10⅞ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	9.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. 11⅜ 00	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10⅞ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 11⅜ 90	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10⅜ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CEPME 10⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chevron USA 12⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 10 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 10⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coca Cola 11⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kgdm. 11⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kgdm. 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kgdm. 11½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EDF 10 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 9⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 12 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eli Lilly 10⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dev. Cpn. 10 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dev. Cpn. 12 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fed. Dep. Strs. 10⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Crd. 10⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Crd. 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Crd. 12 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. El. Cred. 10⅝ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 10⅜ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 10⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IADB 10⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ISM Credit 10⅜ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Co. 10⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Co. 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB 12⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Manuf. Trust 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Cr. Bk. 10⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pillsbury Co. 10⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pru Realty [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Qantas Airways 10⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Queensld. Gvt. 10⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ralston Purina 11⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ralston Purina 12⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saskatchewan 10⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saskatchewan 11⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spintol 10 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S. Wales Trey. 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Exp. Cred. 10 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Ex. Cr. 12⅞ 89 XW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kgdm. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kgdm. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kgdm. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tenneco Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Texaco Capital 10 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utd. Tech. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Victorian Rep. 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 10⅜ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 12⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes... On day [illegible] on week [illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria Republic [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Baxter Travenol [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copenhagen [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dow Chemical [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ESCOM [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ex.-Im. Bk. Korea [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ferrovia Dello St. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland Republic [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gould Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Fin. Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi H. [illegible] WW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi H. [illegible] XW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi M. [illegible] WW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi M. [illegible] XW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Renfe [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Soc. C. Nuclear [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Soc. C. Nuclear [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S. African Trns. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes... On day [illegible] on week [illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap. Corp. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Br. Land Comp. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Europe [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Creditanstalt [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutsche Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Occidental [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glendale F. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. F. Finland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Am. Dv. Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N. Zealand Steel [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oberos. Ktwk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Olivetti Intl. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pepsico [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ralston Purina [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Santos Finance [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Elec. Pr. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Metropolis [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes... On day [illegible] on week [illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Cassa Nat. Tel. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Goodyear T. & R. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Brunswick [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Exp. Cred. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes... On day [illegible] on week [illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Au. 12½ 90 A$	50	[illegible]	[illegible]	[illegible]	[illegible]	15.11
Creditanstalt 12⅞ 90 A$	50	[illegible]	[illegible]	[illegible]	[illegible]	14.28
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Cr. [illegible] A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.66
Amex [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.01
Canad. Pac. [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.31
CIBC [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.93
Gaster Fin. [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.24
Manitoba [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.50
Sears Acc. [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.71
Winnipeg C. [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.93
Chrysler F. C. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.77
KOP [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.51
Kredtbk. Lux. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.96
Bayer Vrns. [illegible] Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.90
Chrysler F. C. [illegible] Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Xerox Cap. [illegible] Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Honda WW [illegible] Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Honda XW [illegible] Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thyssen [illegible] Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wereldhave [illegible] Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wessanen [illegible] Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mobil Cpn. [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amev [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC UK F. [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imp. Ch. Ind. [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
McDonalds [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi F. HK [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NSW Treasy. [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Privatbanken [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rank Xerox [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Ins. [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tricentrol XW [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCE [illegible] LFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N. Lux. Al. [illegible] LFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Abbey Natnl. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B'kamerica [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bankers Trust [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BFCE [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Britannia [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCF [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chase Man'tn [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ENEL [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mfrs. Hanover [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bk. Perp. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NatWest Perp. A [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NatWest Perp. B [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Scotland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Scot. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utd. Kingdom [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woolwich [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes... On day [illegible] on wk. [illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Comcast [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fanuc [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fuji Hvy. Inds. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kumagai Gumi [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marui [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Elec. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Murata [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Elec. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Oil Co. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKI Elec. Ind. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sekisui House [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Corp. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taiyo Yuden [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Takeda Riks. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo B'yo E. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Toshiba Cmcs. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Oil [illegible] SFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Ekk. [illegible] SFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asics [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Renown [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sum Realty [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

DOMESTIC BOND MARKETS

Tokyo firm but off early highs

Government Yen bonds ended firmer but off early highs as market hopes of co-ordinated interest rate cuts at this weekend's G-5 meeting faded. The yield of the No 78 6.2 per cent 10-year bond ended at 5.65 per cent against its Tuesday close of 5.79 per cent. The yield of the 68th 6.8 per cent bond was 5.980 against 6.000.

One bond manager said a Japanese discount rate reduction was unlikely until interest rates on two and three-month commercial bills fell to around 6.5 per cent.

Both two and three month bills are currently at 7.0625 per cent.

Frankfurt heartened

In Frankfurt bond prices rose by as much as 25 pfennigs in a moderately active session. Operators took heart from the higher close on US credit markets yesterday and comments on the weekend G-5 meeting in London.

However, gains of up to 40 pfennigs in busy pre-bourse trading could not be held as profit-taking set in.

The Bundesbank sold DM 90.3m of domestic paper after selling DM 60.2m yesterday.

The State of Schleswig-Holstein is launching a 12-year, DM 500m domestic loan stock with a coupon of 6¾ per cent and price of 99.50, lead manager, Landesbank Schleswig-Holstein-Girozentrale said.

The issue will be redeemed on January 23 1998, at 101, making for an effective issue yield of 6.62 per cent. It can also be redeemed early by the investor after 10 years at 100, giving an effective yield of 6.57 per cent.

Zurich little changed

In Zurich institutional investors with large amounts of liquid assets still to be invested partially turned to foreign bonds after heavy spending on domestic issues in the last few days. Domestic bonds traded unchanged to higher. Option bonds of major banks closed up to 2 points higher.

Amsterdam steady

Dutch bond prices slipped from early highs but maintained a firm undertone.

Moderately active business concentrated on the 7 per cent state loan due 1996, 30 basis points up from yesterday's close at 101.30, and the 6.75 per cent due 1995, up 20 at 100.00.

Both were 10 points off the highs due to sales aimed at making room for the new 6.75 per cent ten-year issue announced yesterday.

Agencies

INTL. COMPANIES

Brierley offers A$250m for North BH holding

BY LACHLAN DRUMMOND IN SYDNEY

INDUSTRIAL EQUITY (IEL), Mr Ron Brierley's Australian investment company, has launched an A$250m (US$173.5m) partial takeover offer for North Broken Hill Holdings with the express intention of liquidating the asset-rich mining and industrial company.

IEL estimates that such e break-up of the mining house, pillar of the country's financial establishment, would return a net present value of between A$3 and A$3.30 a share over the proposed 12 to 18-month "de-merger" period, compared with the A$2.50 e share it intends offering.

This valuation was siezed on by the directors of North, who said it backed up their view that the offer terms were grossly inadequate and recommended shareholders not to sell.

IEL emerged yesterday with a 17.7 per cent stake—78m shares—assembled last year and in recent days at a cost of close to A$200m. This followed e three-month international search by North for the beneficial owners of a 8.5 per cent stake in the company now acknowledged to be in IEL hands.

IEL is seeking a further 100m shares in North, offering A$2.50 for the fully paid shares and A$1.70 for partly paid stock. This would give IEL 40 per cent of the capital.

The offer was slightly ebove recent market levels, although by the close of trading yesterday the shares were at A$2.70 on speculation about a rival offer.

Although clearly serious in its attempts to gain control et its offer price, IEL stands to clear a substantial profit from running second in a bidding duel—as it did when it bid for Carlton and United Breweries before selling out to Elders IXL in 1983.

Western Mining Corporation, the big nickel and gold group, is suggested as a likely rival while CRA—which mines silver-lead-zinc ore alongside North BH at Broken Hill—is seen as another possible contender.

WMC shares a loose historic alliance with North BH as one of Melbourne's "Collins House" group of companies, two former independen members of which—Associated Pulp and Paper Mills (APPM) and EZ Industries—are part of North BH.

IEL's takeover and liquidation proposals centre on returning these two main subsidiaries to public ownership. IEL has estimated that overall assets of North BH, with a net book value of A$854m, will eventually return between A$1.3bn and A$1.45bn.

Its strategy would see APPM, acquired in 1982 for about A$80m, re-listed as a public company incorporating North'a strategic investment in Hardboard Australia and paper merchant Edward Dunlop, in which IEL bas a similar 7 per cent stake.

EZ would also be resold to thep ublic. The zinc miner and refiner was acquired in 1984 for a total valuation of A$600m and would be refloated including North's Broken Hill mine and its 30 per cent stake in Broken Hill Associated Smelters, which is 70 per cent owned by CRA.

It is also proposed that North's 12 per cent stake in Alcoa of Australia, the aluminium group, be sold to other shareholders such as Alcoa of the US and Western Mining, or to the public.

IEL said appropriate steps would be taken to "maximise the realisation" of its 31 per cent stake in Uranium Energy Resources of Australia.

Fletcher sells finance unit

BY OUR FINANCIAL STAFF

FLETCHER CHALLENGE, New Zealand's largest company, has shed a further large part of its financial services operations with the sale of Broadbank, its finance house subsidiary, to the Government Life Insurance Corporation.

Government Life, a private sector mutual society, paid an undisclosed amount for Broadbank which has had a turbulent recent history. The offshoot was a focus of police enquiries last year into allegations of unauthorised foreign exchange dealings by staff members, for which Fletcher was forced to take a NZ$27.9m (US$14.2m) charge in its latest year.

This was believed to have been one of the main factors which prompted Fletcher's decision to reduce its exposure to financial services, despite a wide-ranging deregulation of the banking sector initiated in recent months.

Fletcher has interests in forest products, farming and construction. By some estimates, it was seeking NZ$60m to NZ$90m for Broadbank. This disposal follows the sale late last year of its majority stake in Marac Holdings, another financial services company, to NZI Corporation.

Mr Hutton Peacock, managing director of Government Life, said its and Broadbank had operations of similar size. Together they would have assets of more than NZ$2bn.

● Goodman Group, the dominant New Zealand food manufacturer, has decided to recommend the takeover offer by Fielder Gillespie Davis of Australia, part of a three-way plan to create an Australasia-wide company with Allied Mills, also of Australia.

Denison in C$240m write-off

By Robert Gibbens in Montreal

DENISON MINES, the leading mining and energy group, is making a C$240m (US$171m) write-off in its 1985 financial statements to cover its total investment in the Quintette coal production project in British Columbia.

Denison has a 50 per cent voting interest in Quintette and manages the mining operation, which started in 1984. Quintette produces thermal coal for Japanese steel customers. Development costs for the mine were higher than expected and world coal prices have weakened since start-up.

Denison said it had made the write-off at the request of its auditors and to avoid having qualified annual statements. It said Quintette has made big operating improvements in 1985.

Denison reported operating net profit of C$82.8m or C$1.34 for 1985 against C$83.5m or C$1.20.

Air France lifts profits

By Paul Betts in Paris

AIR FRANCE, the French state airline, boosted net profits to FFr 700m ($92.7m) last year from FFr 533m in 1984, with passenger traffic rising 2.2 per cent and freight up 3.6 per cent.

It transported 12.5m passengers at an occupancy rate (excluding Concorde flights) of 67.9 per cent.

Bangkok Bank earnings fall

By Boonsong K'Thana in Bangkok

NET PROFITS of Bangkok Bank, Asean's largest in terms of assets, fell by 10 per cent last year to 1.43bn baht ($54.4m).

Mr Chatri Sophonpanich, the bank's president, yesterday attributed the decline in profits partly to a drop in interest earnings following government curbs on interest rates. In addition it suffered from defaults on principal and interest payments, and high expenses.

Lavalin consortium seeks two Ultramar oil plants

BY ROBERT GIBBENS IN MONTREAL

A CONSORTIUM led by Lavalin, Canada's largest engineering and construction management group, has made a two-part offer to Ultramar Canada for the former Gulf refinery in Montreal.

The consortium is seeking to buy two small petrochemical plants which are an integral part of the 75,000 barrels a day refinery, and lease the refinery equipment and keep it operating.

Ultramar Canada took over the refinery and 675 former Gulf Canada service stations in Quebec and the Maritimes on January 8 for C$120m (US$85.7m). It is closing the refinery and will supply the service stations from its 100,000 b/d refinery in Quebec City, upgraded recently at a cost of C$310m.

Ultramar Canada president Mr Jean Gaulin said his company is interested in selling the two petrochemical plants, but it needs the refinery tank farm as a products terminal for the Montreal market.

Before the national energy programme was instituted in 1980 Montreal had six refineries and was Canada's largest single refining centre. Three refineries have already been closed because of shrinking demand for petroleum products and it is thought that the Gulf Canada refinery cannot have an economic future.

New Wits lifts first half earnings and dividend

BY KENNETH MARSTON, MINING EDITOR

NET PROFITS of New Wits, the South African mining investment company in the Consolidated Gold Fields group, rose to R7.39m (£2.19m or $3.16m) in the first half to December, against R6m.

The company expects a similar percentage increase in the second half provided that there is no undue decline in coal and metal prices.

The latest interim dividend is raised to 30 cents from 22 cents, partly in order to reduce the disparity between interim and final payments. New Wits points out that its policy is to distribute 60 per cent of earnings, which on a per-share basis reached 64 cents in the half year.

A better than expected final dividend of 20 cents, to make a 1985 total of 30 cents against 16 cents, has been declared by Vogelstruisbult, the group's base metal investment company. Earnings for the year were bolstered by the fall in the value of the rand and amount to R9.64m, or 52 cents per share.

For 1984 Vogels had e net loss of R201,000 following e write-off of R5.14m and the dividend was covered by a transfer of R3.15m from general reserve. The latest results return R4m to the raserve.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord.	118	—	7.3	8.2	7.2	6.7
151	121	Ass. Brit. Ind. CULS	121	—	10.0	9.3	—	—
75	43	Airsprung Group	70xd	—	8.4	8.1	11.7	15.2
46	33	Armitage and Rhodes	38	—	4.3	11.3	4.7	5.7
168	106	Bardon Hill	163	—	4.0	2.8	20.8	21.4
64	42	Bray Technologies	55	—	3.8	7.1	6.7	7.7
201	136	CCL Ordinary	136	—	12.0	9.8	3.3	3.2
152	97	CCL 11pc Conv. Pf.	97	—	15.7	18.2	—	—
130	80	Carborundum Ord.	116	—	4.9	4.2	5.7	8.0
94	83	Carborundum 7.5pc Pf.	81	—	10.7	11.8	—	—
65	46	Deborah Services	57	—	7.0	12.3	5.8	7.8
32	20	Frederick Parker Group	21	+1	—	—	—	—
87	50	George Blair	87xd	+2	—	—	3.9	8.4
62	20	Ind. Precision Castings	61	—	3.0	4.9	18.1	13.5
218	172	Isis Group	172	—	15.0	8.7	13.2	19.8
120	101	Jackson Group	120	—	5.5	4.5	8.1	8.1
299	228	James Burrough	299	+1	15.0	5.0	8.4	9.4
95	85	James Burrough 9pc Pf.	95	—	12.9	13.8	—	—
95	71	John Howard and Co.	71	—	5.0	7.0	5.6	8.8
225	141	Linguaphone Ord.	180s	—	—	—	6.6	9.8
98	90	Linguaphone 10.5pc Pf.	90s	—	15.0	19.7	—	—
725	570	Minihouse Holding NV	725	+35	6.6	1.0	31.7	30.1
82	32	Robert Jenkins	71	—	—	—	9.2	20.3
34	28	Scruttons "A"	30	—	—	—	—	7.7
87	67	Torday and Carlisle	69	—	5.0	7.2	3.9	6.3
370	320	Travian Holdings	325	—	4.3	1.3	18.5	18.2
42	25	Unilock Holdings	40	—	2.1	9.3	10.9	10.9
133	93	Walter Alexander	132	—	8.6	6.5	7.9	8.1
[illegible]	195	W. S. Yeates	200	—	17.4	8.7	5.7	6.8

s=Suspended.

GOLD FIELDS PROPERTY COMPANY LIMITED

(Incorporated in the Republic of South Africa)
A MEMBER OF THE GOLD FIELDS GROUP
(Registration No. 01/01078/06)

INTERIM REPORT

CONSOLIDATED INCOME STATEMENT	*Six months ended 31 Dec 1985	*Six months ended 31 Dec 1984	Year ended 30 June 1985
	R000	R000	R000
Turnover	6 399	6 833	12 761
Revenue			
Income from rent and sale of property	3 139	2 618	6 320
Income from gold	897	272	778
Income from investments	586	404	875
Surplus on realisation of investments/mineral rights	965	1 200	1 200
Income from interest and other sources	652	715	1 262
	6 239	5 209	9 435
Expenditure	927	843	1 735
Administration, property and general	906	822	1 698
Interest	21	21	37
Profit before tax	5 312	4 366	7 700
Tax	2 216	1 474	2 783
Profit after tax	3 096	2 892	4 917
*Unaudited			
Earnings per share—cents	30	28	48
Dividends — per share—cents	12	9	24
— absorbing—R000	1 227	920	2 454
— times covered	2.5	3.1	2.0

CONSOLIDATED BALANCE SHEET	*At 31 Dec 1985	*At 31 Dec 1984	At 30 June 1985
	R000	R000	R000
Fixed assets	28 166	21 775	22 770
Investments	3 027	3 490	3 502
Properties and ventures	10 480	9 711	10 130
Net current assets	(1 876)	2 030	1 626
Current assets	3 222	4 781	4 866
Less current liabilities	5 098	2 751	3 240
	39 797	37 006	38 028
Share capital	256	256	256
Reserves	32 057	29 697	30 188
	32 313	29 953	30 444
Deferred liabilities and provisions	7 284	6 753	7 284
Loans received	200	300	300
	39 797	37 006	38 028
*Unaudited			
Investments			
Listed—Market value	10 915	10 383	11 717
—Excess over book value	8 246	7 181	8 504
—Book value	2 669	3 202	3 213
Unlisted—Book value	358	288	289
Number of shares in issue	10 224 350	10 224 350	10 224 350
Net assets (as valued) per share—cents	487	411	454

NOTES:

1. **Dividend** A dividend No. 125 of 15 cents (4.90196p) per share in respect of the year ended 30 June 1985, absorbing R1 534 000, was declared on 13 August 1985 and paid on 2 October 1985.
2. **Prospects** The group's various leased properties should continue to maintain high occupancy rates during the remainder of the financial year. Provided the current prevailing rand gold price continues, royalty payments [illegible] Consolidated Mines Limited will make a useful contribution to revenue. Accordingly, net earnings during the second half of the current financial period should be much in line with those already attained during the first half.

DECLARATION OF INTERIM DIVIDEND

Dividend No. 126 of 12 cents per share has today been declared in South African currency, payable to members registered at the close of business on 31 January 1986.

Warrants will be posted on or about 4 March 1986.

Standard conditions relating to the payment of dividends are obtainable from the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 31 January 1986 in accordance with the abovementioned conditions.

The register of members will be closed from 1 to 7 February 1986, inclusive.

On behalf of the Board
A. J. WRIGHT (Chairman)
B. R. VAN ROOYEN
Directors

Registered and Head Office:
75 Fox Street,
Johannesburg 2001

London Office:
31 Charles II Street,
St James's Square,
London SW1Y 4AG

United Kingdom Registrar:
Hill Samuel Registrars Limited,
6 Greencoat Place,
London SW1P 1PL

15 January 1986

Copies of this offer for sale document, having attached thereto the documents specified in paragraph II of Part IV hereof, have been delivered to the Registrar of Companies for registration.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Wickes plc. The directors of Wickes plc have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make misleading any statement herein whether of fact or of opinion. All the directors accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the ordinary shares of 40p each in Wickes plc in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

The application list for the ordinary shares of 40p each now being offered for sale will open at 10 a.m. on Wednesday, 22nd January, 1986 and may be closed at any time thereafter. The terms and conditions of and the procedure for application, together with an application form, are set out at the end of this document.

Wickes plc

(Incorporated in England under the Companies Acts 1948 to 1981 No. 1738919)

Offer for Sale by Rowe & Pitman of
4,950,000 ordinary shares of 40p each at 140p per share,
payable in full on application

SHARE CAPITAL

Authorised		*Issued and to be issued, fully paid or credited as fully paid*
£20,000,000	in ordinary shares of 40p each	£13,200,000

The ordinary shares of 40p each now offered for sale rank in full for all dividends hereafter declared, made or paid on the ordinary share capital of the Company.

INDEBTEDNESS

At the close of business on 19th December, 1985, the Wickes Group (as defined herein) had outstanding bank overdrafts and short term loans of £704,000 (none of which was secured) and secured long term loans of £11,016,000. With the exception of £10,250,000 of long term debt, all the Wickes Group indebtedness at that date was guaranteed by WIC (as defined herein). Since then, however, the lenders concerned have agreed that these guarantees will be replaced with equivalent guarantees by Wickes plc.
Save as aforesaid, and except for intra-group indebtedness and guarantees, the Wickes Group did not have, at the close of business on 19th December, 1985, any loan capital outstanding or created but unissued, mortgages or charges, borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or (other than in the ordinary course of business) guarantees or other material contingent liabilities.
At the close of business on 19th December, 1985, the Wickes Group had bank balances, short term deposits and cash amounting to £6,082,000.
As described in paragraph 7 of Part IV hereof, on 13th January, 1986, Wickes plc entered into a conditional agreement with Investors in Industry plc whereby it agreed to subscribe for £3,000,000 7½ per cent. Convertible Unsecured Loan Stock 1996 for cash and a subsidiary agreed to take up a £3,000,000 secured loan facility repayable in 1996 and to repay an existing £10,250,000 secured loan.

DEFINITIONS

In this document, the following words have the meanings set out below, except where the context requires otherwise:

"the Company"	Wickes plc
"the Wickes Group"	the Company and its subsidiaries at the date of this document
"WCI"	Wickes Companies, Inc., a corporation incorporated in the State of Delaware, USA
"the WCI Group"	WCI and its subsidiaries at the date of this document, excluding the Wickes Group
"WIC"	Wickes International Corporation, a corporation incorporated in the State of Delaware, USA, and a member of the WCI Group
"the Reorganisation"	the reorganisation completed in January, 1986 whereby the Company became the holding company for the Wickes Group
"Wickes"	the businesses of the Wickes Group both prior to the Reorganisation and subsequently
"the directors"	the directors of the Company at the date of this document
"the board"	the directors of the Company for the time being
"ordinary shares"	ordinary shares of 40p each in the Company
"offer for sale price"	the offer for sale price of 140p per ordinary share

Part I
KEY INFORMATION

The information summarised below should be read in conjunction with the full text of this document from which it is derived.

Activities
The Wickes Group is one of the largest English-based European retailers of timber, building materials and home improvement products. It trades from 56 retail stores located in England, Holland and Belgium and employs some 1,400 people.

Ownership
The parent company of Wickes plc is Wickes International Corporation (a wholly owned subsidiary of Wickes Companies, Inc.) which will, following the offer for sale, own 85 per cent. of the Company's issued ordinary share capital.

Trading Record
The Wickes Group's turnover, operating profit and profit/(loss) before taxation, as derived from the Accountants' Report set out in Part III hereof, are summarised below:

	Turnover £'000	Operating profit £'000	Profit/(loss) before taxation £'000
1980	41,452	800	(493)
1981	54,486	340	(1,781)
1982	72,178	2,060	347
1983	89,734	2,805	1,432
1984	103,280	3,422	2,181

Note: The year end of the Wickes Group is the last Saturday in January. Accounting periods are referred to by the calendar years ending prior to those January year ends.

1985 Profit Forecast
On the bases and assumptions set out in Part II of this document, the directors are forecasting profit before taxation for the Wickes Group of not less than £3.6 million for the 52 weeks ending 25th January, 1986. On the basis set out in 'Profit Forecast and Pro-forma Earnings per Share', pro-forma profit before taxation for this period would be £4.8 million.
This forecast takes account of the audited interim results for the Wickes Group for the 26 weeks ended 27th July, 1985, as set out in the Accountants' Report contained in Part III of this document.

Offer for Sale Statistics based on the Offer for Sale Price

Offer for sale price	140p
Market capitalisation after the offer for sale	£46.2 million
Price earnings ratio based on pro-forma forecast earnings per share for the 52 weeks ending 25th January, 1986 of 9.45p after the estimated actual tax charge of 35 per cent.	14.8 times
Gross dividend yield based on the notional net dividend of 2.0p per share in respect of the 52 weeks ending 25th January, 1986	2.0%
Dividend cover based on forecast profit before taxation for the 52 weeks ending 25th January, 1986 and the notional net dividend in respect of that year of 2.0p per share	4.7 times
Pro-forma net tangible assets of the Wickes Group	£22.7 million
Net proceeds of the offer for sale receivable by the Company	£6.1 million

DIRECTORS AND ADVISERS

Directors
Henry Alan Sweetbaum (USA) *Chairman and Chief Executive*
Richard Edward Thelwall Clark *Deputy Managing Director*
Michael Richmond Corner *Administration Director*
Andrew James Mills-Baker FCA *Finance Director*
Alan Peter Humphries FCA*
Alvin Gerald Segel (USA)*
Lord Sieff of Brimpton OBE*
Sanford Charles Sigoloff (USA)*
all of 14 Berners Street, London W1P 3DE
**non-executive*

Secretary and Registered Office
Michael Richmond Corner LLB 14 Berners Street London W1P 3DE

Stockbrokers and Sponsors to the Offer for Sale
Rowe & Pitman 1 Finsbury Avenue London EC2M 2PA

Auditors and Reporting Accountants
Arthur Andersen & Co. Chartered Accountants 1 Surrey Street London WC2R 2PS

Solicitors to the Company
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Solicitors to the Offer for Sale
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INTRODUCTION

The Wickes Group is one of the largest English-based European retailers of timber, building materials and home improvement products. It trades from 56 retail stores located in England, Holland and Belgium and employs some 1,400 people.
During the past five years in England, the Wickes Group has developed a distinctive retailing concept to serve its home improvement customers. This is based on a comprehensive range of specialist products which are carried in large volumes in stores designed to facilitate selection by customers. Wickes has achieved sales and profits per square foot, sales per employee and a turnover of its stocks which are amongst the best in the do-it-yourself retailing sector in England. Although the application of this concept to the Belgian and Dutch stores commenced later, the benefits are already apparent in the Belgian results and are becoming so in Holland.
Following completion of the offer for sale, WIC will own 85 per cent. of the Company's issued ordinary share capital with the balance of 15 per cent. being in the hands of the public, including directors and employees. The offer for sale will raise £6.1 million, net of expenses, for Wickes plc and will be used primarily for the Wickes Group's store development programme.

HISTORY

The Company is a wholly owned subsidiary of WIC, which, prior to the Reorganisation, was the holding company for the European retailing activities of WCI. WCI, which is listed on the American Stock Exchange and has worldwide sales running at an annualised rate of some US$6 billion (approximately £4.3 billion), has a wide variety of retailing and industrial interests including the distribution of timber and building materials in the United States of America. Since April, 1982, Wickes has operated as an autonomous entity and has had no trading relationship with the WCI Group. Further information on the WCI Group is given in the section entitled 'The WCI Group and the Wickes Group'.

Pre April, 1982
Wickes commenced operations in Europe in 1970 and the first do-it-yourself retail store was opened in Holland in that year. In 1980, Richard Clark, now the Deputy Managing Director of Wickes plc, first introduced Wickes' distinctive retailing concept into the English stores. By January, 1982, Wickes was operating 53 stores in England, Holland and Belgium and 12 in West Germany; it established joint venture operations in Saudi Arabia and Kuwait, and retail businesses in France and Austria.
WCI and certain of its subsidiaries, but neither WIC nor the Wickes Group, entered into bankruptcy and filed a petition for reorganisation under Chapter 11 of the US Federal Bankruptcy Code in April, 1982. The resulting financial constraints imposed on WCI and the rationalisation of WIC's activities referred to below led to only limited funds being available for store expansion from April, 1982, although the Wickes Group stores continued to generate operating profits.

Post April, 1982
In April, 1982, Henry Sweetbaum, Chairman and Chief Executive of Wickes plc, assumed responsibility for rationalising and reorganising Wickes' activities. Operations in Austria and France were discontinued and Wickes withdrew from the joint ventures in Saudi Arabia and Kuwait. Wickes' high interest costs and currency losses arising from expensive dollar denominated borrowings were stemmed by refinancing.
Wickes plc was formed in 1983 when it purchased from WIC its English operations. Beginning in 1983, Wickes' successful retailing concept was gradually introduced into the stores in Belgium. The improved trading performance of Wickes, together with the successful emergence of WCI from the Chapter 11 proceedings, enabled the management to recommence its programme of store expansion in 1984. Since then, three stores have opened in England and one in Holland.
Following the successful introduction of the Wickes trading concept into the Belgian stores, the management of the Belgian and the Dutch operations were merged into the newly-formed Wickes Benelux division so as to rationalise the Dutch business and to bring about the conversion of its stores to the Wickes concept. In February, 1985, WIC disposed of the West German stores and, in January, 1986, Wickes plc acquired the Dutch and the Belgian operations, thereby completing the Reorganisation.

THE BUSINESS

The Wickes Group operates from 22 stores in England through Wickes Building Supplies Limited, 23 in Holland through Wickes BV and 11 in Belgium through Wickes NV. A geographical analysis of its turnover and profit/(loss) before taxation for the year ended 26th January, 1985 and for the 26 weeks to 27th July, 1985 is as follows:

	Year to 26th January, 1985		26 weeks to 27th July, 1985	
	Turnover £'000	Profit before taxation £'000	Turnover £'000	Profit before taxation £'000
England	62,319	2,820	33,849	1,469
Holland	25,788	(730)	13,073	(392)
Belgium	15,153	91	8,666	407
	103,280	2,181	55,588	1,484

Further details of the trading record are set out in the section entitled "Trading Record" below. The directors expect that the results for the second half of the current year will be higher than those of the first half and, in particular, that the Dutch activities will break even during that period as a result of the recovery in sales and margins following the introduction of the Wickes Group's retailing concept.

The Market
The home improvement market is served by timber and builders merchants, multiple retailers (including do-it-yourself chains) and high street shops. Wickes is well placed to participate in this market as it combines many of the attributes of each of these different retailing outlets. No single retailer or group of retailers within these categories has yet achieved a position of dominance within the home improvement markets in which Wickes operates.
The directors estimate that total expenditure in the United Kingdom, Belgium and Holland in 1984 on home improvement was some £8 billion. They consider that the market available to the Wickes Group at any time is related to the areas directly surrounding its stores. The directors estimate that, in 1984, the size of the market served by the Wickes Group was some £1.8 billion. In the United Kingdom, based on the distribution of booklets to households in the vicinity of its stores, Wickes' 22 existing stores cover approximately 12 per cent. of all households and, on the same basis in Belgium and Holland taken together, approximately 40 per cent. of households are served. The Wickes Group plans to open new stores in order to increase its available market.

The Products
Wickes has concentrated its retail business in the structural rather than the decorative section of the home improvement market. This has enabled the Wickes Group to eliminate from its product range a large number of ancillary items which are generally carried by other operators. For example, do-it-yourself retailers can carry as many as 15,000 different products, whilst a Wickes store typically carries a range of 3,000-4,000 products. This specialisation enables Wickes to carry large stocks of individual items and to generate volume sales for certain products. The overall range of products (both structural and decorative) is sufficiently wide to enable a customer to purchase from Wickes most of the items required to refurbish, extend or even build a house.
The following analysis of sales, which is based on the turnover of the Wickes Group for the 26 weeks ended 27th July, 1985, is representative of the general sales trends experienced by each retailing company in the Wickes Group:

	per cent.	
Structural		
Timber and building materials	51	
Kitchens	5	
Bathrooms, plumbing, heating	13	
Electrical	6	
		75
Decorative		
Decorating	16	
Hardware/ironmongery	9	
		25
		100

The Wickes Group seeks to increase its sales through product innovation, by the introduction of new products and the redesign or presentation of traditional products in a new way or form. This approach has been applied successfully to a number of products including secondary double glazing using acrylic sheets, multi-thickness insulation, aluminium patio doors, central heating systems and adjustable double-glazed window systems. The Wickes Group co-operates closely with the manufacturers or suppliers in the development of products and employs its own in-house design staff to assist in this process.

Marketing
The Wickes Group aims to offer its customers quality products which are competitively priced and represent the best available value for money. Where possible, products are manufactured to Wickes' specifications and sold under the "Wickes" brand name.
A booklet, which is the Wickes Group's principal form of advertising, is used to "pre-sell" to the customer by providing details of all products and descriptions of home improvement projects that can be undertaken. This booklet includes coupons which offer price reductions for certain volume or project purchases. It is distributed approximately ten times a year to the majority of homes in Wickes' store catchment areas.
The directors estimate that between 75 and 80 per cent. of the Wickes Group's customers are home-owners and the remainder are building tradesmen. The Wickes Group has adopted a policy of long opening hours as a convenience to its customers.
Special attention is given to store layouts both to facilitate purchasing by customers and to assist efficient stock replenishment. Extensive overhead and gondola signing is used to provide product information and further details of home improvement projects are set out in a wide variety of free 'good idea' leaflets provided by each store.

Purchasing
The Wickes Group is not engaged in manufacturing. It purchases products direct from manufacturers or other suppliers, rather than through wholesalers or other intermediary distributors, and aims to build up long term relationships with such suppliers, whilst at the same time ensuring that alternative sources are available. No more than four per cent. of purchases by value are made from any one source. As a result of selling a concentrated range of specialist products in high volume, members of the Wickes Group are frequently able to negotiate particularly favourable terms with their suppliers and to share the benefit with customers by offering competitive prices.
Under the general supervision of the Company, purchases are undertaken locally by each operating subsidiary. This ensures that products cater for national tastes, yet are purchased on favourable terms. The responsibility for stock replenishment lies with each store and, to minimise overheads and delivery costs, there is no central warehousing.
The Wickes Group is introducing electronic point of sale monitoring of stocks and sales which will enable it to respond rapidly to changes in demand for particular products and reduces the chances of shortages developing.

Premises

The stores vary in size, with gross areas of between 15,000 and 40,000 square feet. Stores are designed with similar external and internal lay-outs to promote a standard Wickes identity and to assist customers. Wickes invests in sophisticated materials handling techniques to reduce operating costs and contribute to the health and safety of employees and customers.

Wickes stores are located in:

England

London and the South:

Chadwell Heath	Farnborough	Southall
Cricklewood	Harrow	Southampton
Dunstable	Slough	Wimbledon
Edmonton		

Midlands and the North:

Bradford	Leeds	Rotherham
Dewsbury	Lincoln	Scunthorpe
Huddersfield	Manchester	Sheffield
Hull	Nottingham	Sutton-in-Ashfield

Holland

Amsterdam	Ede	Hoorn
Apeldoorn	Eindhoven	Leeuwarden
Arnhem	Enschede	Rotterdam (2 stores)
Breda	Groningen	Sittard
Den Haag (2 stores)	Haarlem	Tilburg
Dordrecht	Heemstede	Utrecht (2 stores)
Drachten	Heerlen	

Belgium

Antwerp (Merksem)	Charleroi (Jumet)	La Louviere
Antwerp (Wilrijk)	Gent	Liege (Herstal)
Brugge	Kortrijk (Kuurne)	Verviers (Heusy)
Bruxelles (Machelen)	Gent Brugge	

During 1986, two oew stores are due to open in Belgium and, in England, construction has begun oo two stores, one in Ealing and the other in Cheltenham, which will open in the first half of 1986. Up to nine of the stores in Holland and Belgium (accounting for less than eight per ceot. of Wickes Group's turnover) may prove unsuitable for the Wickes Group's retailing coocept, in which case it is intended that they should be disposed of or resited as and when appropriate opportunities occur. The estimated costs which are anticipated to arise from such disposals or resitings were charged to WIC as part of the Reorganisation.

Wickes properties are managed by the in-house property department. The Wickes Group aims to produce growth in asset values through property development and appreciation. The Wickes Group currently trades from the following properties:

	Total square feet	Freehold	Long Lease (over 50 years)	Short Lease (under 50 years)	Total
England	604,000	11	4	7	22
Holland	601,000	5	—	18	23
Belgium	246,000	5	—	6	11
	1,451,000	21	4	31	56

Of the short leasehold properties, nine are leased for less than five years and, save for two properties in Belgium (where notice to terminate has been given) and three properties in Holland, the Wickes Group has a statutory right to extend those leases for a further minimum period of three years in each case.

Other Activities

The Wickes Group has receotly opened hire shops within three of its English stores as a pilot schema. These shops stock equipment, such as specialist tools, scaffolding and cement mixers, which have not previously been available at Wickes stores. Such products are often hired rather than purchased because of their price and generally intermittent use. It is intended that these hire shops should gradually be introduced to other stores, subject to the success of the pilot scheme. To date, the directors hava been encouraged by the trading results.

In the United Kingdom, recent legislation and changes in trading practices are breaking down the traditional channels for the provision of property and financial services. The Wickes Group intends to take advantage of the opportunities so arising by extending the range of services it offers to its customers. By acting as an agent for financial and other institutions, it is oow offering access to a wide range of services including mortgage and home improvement loans, insurance and removals. These services are combined in a package which is marketed under the 'Wickes' name and they are now available, on e trial basis, through both the Wickes Group's marketing booklet and two pilot outlets which were opened earlier this month in the stores at Wimbledon and Farnborough.

DIRECTORS, MANAGEMENT AND STAFF

Directors

The Company is the holding company for all the Wickes Group's retailing and property subsidiaries. The board consists of, and will continue to consist of, sufficient directors who are unconnected with the WCI Group so as to ensure independent representation for the public shareholders.

The directors of the Company are as follows:

Henry Sweetbaum (USA) (aged 48), Chairman and Chief Executive, is e graduate of The Wharton School, University of Pennsylvania. He has been resident in the United Kingdom since 1970 and, since April, 1982, has been Chairman and Chief Executive of WIC which, prior to the Reorganisation, was the holding company of the companies now forming the Wickes Group. Since joining WIC, Mr. Sweetbaum has devoted his time primarily to the affairs of Wickes and he will continue, under the terms of a three year service agreement (details of which are set out in paragraph 3 of Part IV hereof), to devote such time as the board of Wickes plc considars oecessary for the proper performance of his duties as Chairman and Chief Executive. Mr. Sweetbaum is also employed by the WCI Group, as part of its senior management, where he currently works on the strategic development of the WCI Group, including the Wickes Group. He will continue to be employed by WCI, but not so as to conflict with his responsibilities to the Wickes Group.

Prior to joining the Wickes Group, Mr. Sweetbaum held e number of senior executive positions including the Chairmanship of Data Recording Instrument Company Limited, then owned by the National Enterprise Board.

Richard Clark (aged 43), Deputy Managing Director, is a law graduate of the University of London. He has been Managing Director of Wickes Building Supplies Limited since the opening of the first English store in 1972 and is now its Chairman. Mr. Clark became Group Operations Director in 1982 and Deputy Managing Director in 1985. Prior to joining the Wickes Group, ha held a number of executive positions with subsidiaries of the National Coal Board.

Michael Corner (aged 35), Administration Director, is a law graduate of the University of Southampton and is a barrister. He joined the Wickes Group in February, 1983. Prior to that, he was Company Secretary and Legal Adviser of Tioxide UK Limited, a subsidiary of Tioxide Group plc.

Andrew Mills-Baker (aged 36), Finance Director, is an economics graduate of the University of Manchester and also a chartered accountant. He joined the Wickes Group in July, 1983. Prior to that, he speot twelve years with the London office of Arthur Andersen & Co., latterly as a senior audit manager.

Peter Humphries (aged 65), a oon-executive director, was appointed to the board on 3rd January, 1986. He is a chartered accountant and was senior partner of Baker, Sutton & Co. until its merger with Ernst & Whinney where he remained a partner until 1983. He was a director of House of Fraser plc from 1976 to 1984 and a deputy chairman from 1978 to 1983. He is Chairman of the Company's Audit Committee.

Alvin Segel (USA) (aged 40), a non-executive director, has been Senior Vice President and General Counsel of WCI since July, 1983. Prior to joining WCI, Mr. Segel was a partner of Messrs. Irell & Manella, a Los Angeles law firm.

Lord Sieff of Brimpton (aged 72), a non-executive director, was appointed to the board on 3rd January, 1986. Ha was Chairman of Marks and Spencer plc from 1972 to 1984 and is its Honorary President. He is also a non-executive director of N. M. Rothschild & Sons Limited.

Sanford Sigoloff (USA) (aged 55), a non-executive director, has been President, Chairman and Chief Executive of WCI since March, 1982. Prior to joining WCI, Mr. Sigoloff was Vice Chairman and Chief Operating Officer of Kaufman and Broad, Inc., a Los Angeles based property development company, of which he remains a director.

It is the intention of the Company that executive directors and senior staff should hava a personal interest in the success of the Wickes Group. Accordingly, Mr. Sweetbaum, Mr. Clark, Mr. Corner and Mr. Mills-Baker receive, in common with other senior staff, a bonus related to the profit performance of the Wickes Group. The latter three of these will be granted options under the Company's share option schemes, as described in paragraphs 3 and 4 of Part IV of this document.

The Audit Committee

The board has appointed an Audit Committee under the chairmanship of Mr. Humphries, which is responsible for monitoring and making recommendations to the board and, where appropriate, the shareholders on all internal and external audit arrangements, including recommendetions concerning the appointment and remuneration of the external auditors.

Management

Wickes Europe Limited, a wholly-owned subsidiary of the Company, provides management services to the various operating subsidiaries; its directors are the senior executives of the Wickes Group, responsible for its day to day management. In addition to Mr. Sweetbaum (Chairman and Chief Executive), Mr. Clark (Deputy Managing Director), Mr. Corner (Administration Director) and Mr. Mills-Baker (Finance Director), the following are directors of Wickes Europe Limited:

Peter Dale (aged 41), joined Wickes Building Supplies Limited in 1972 and was appointed Merchandise Director of that company in January, 1982. Prior to joining the Wickes Group, be held a number of positions to the timber industry.

Louis Tilmant (aged 47), was appointed Managing Director of the Belgian operations in May, 1982 and was subsequently appointed Managing Director of the Dutch operations in September, 1984 when they were merged into a singla division based in Holland ("Wickes Benelux") Prior to joining the Wickes Group, Mr. Tilmant held a number of senior executive positions in the Belgian retailing sector.

Other key executives include:

Name	Position	Age	No of full years' service
Richard Bird	Deputy Managing Director Wickes Benelux	35	12
Terence Carson	Finance Director Wickes Building Supplies Limited	34	10
John Courtney	Managing Director Wickes Hire Limited	31	—
Patrick Goldrick	Operations Director Wickes Building Supplies Limited	36	9
Brian McGloin	Systems Director Wickes Building Supplies Limited	34	3
Paul Jones	Group Property Manager Wickes Europe Limited	37	—
Brian McKillop	Managing Director Wickes Property & Financial Services Limited	30	—
Maurits Van de Ven	Finance Director Wickes Benelux	35	2

Staff

The number of employees within the Wickes Group has increased from approximately 1,100 in 1983 to approximately 1,400 in the current year. As at 30th November, 1985, the geographical split of Wickes Group employees was as follows:

	Total employees	Full time equivalents
England	971	863
Holland	257	219
Belgium	156	133
	1,384	1,015

Pensions

Group pension arrangements vary between England, Holland and Belgium to take account of differing national requirements. The English scheme is non-contributory, contracted into the state scheme and funded by contributions from Wickes Group companies. A separate executive section of the scheme provides additional benefits for senior employees. In Holland and Belgium, the pension arrangements are effected through contributory schemes to complement the national schemes which are more comprehensive than the state scheme in the United Kingdom. The Company's actuarial consultants have confirmed that none of the schemes has significant unfunded liabilities.

Employee Share Ownership

The directors believe that employees should be given the opportunity to become shareholders in the Company both at the time of the offer for sale and subsequently. The Company has adopted discretionary share option schemes (including variants for Dutch and Belgian employees) and a save-as-you-earn share option scheme in which UK employees with over one year's service will be entitled to participate. The directors intend to grant options at the offer for sale price at the time of the offer for sale under all these schemes. Details of the schemes are set out in paragraph 4 of Part IV of this document.

In addition, ten per cent. of the ordinary shares now being offered for sale are reserved for preferential employee applications.

THE WCI GROUP AND THE WICKES GROUP

WCI is a public company whose shares are listed on the American Stock Exchange. The pro-forma financial statements filed by WCI with the Securities and Exchange Commission in October, 1985 (with respect to its recent acquisition of the Consumer and Industrial Products Group of Gulf + Western Industries, Inc.) show pro-forma shareholders' equity in excess of US$900 million (approximately £640 million), annualised turnover of some US$6 billion (approximately £4.3 billion) and consolidated profit before taxation of some US$100 million (approximately £70 million). WCI has a wide variety of world-wide retailing, manufacturing and industrial interests. These include the distribution of timber and building materials in the United States, which presently accounts for approximately 20 per cent. of its turnover on an annualised basis. WIC, which is a wholly-owned subsidiary of WCI, was, prior to the Reorganisation, the holding company for the various companies which now constitute the Wickes Group. WCI has no operations which are directly comparable with those of the Wickes Group.

In April, 1982, WCI and certain of its subsidiaries, but neither WIC nor any of the members of the Wickes Group, filed a petition for reorganisation under Chapter 11 of the US Federal Bankruptcy Code. A 'Plan of Reorganisation' was filed by WCI in 1984 which led to its discharge from bankruptcy proceedings in January, 1985.

Since April, 1982, Wickes has operated as an autonomous trading entity, operating within the financial reporting structure established by WCI. Whilst not directly affected by the Chapter 11 proceedings in the United States, the operating subsidiaries of Wickes were unable to obtain additional capital funding from the WCI Group for expansion and this was, in part, responsible for a severe curtailment of the Wickes store opening programme, although the stores in operation were able to continue trading unimpeded. The growth in Wickes' activities since 1983 has been financed by funds generated from trading and external borrowings. Following the offer for sale, Wickes will continue to operate as a separate business entity and, as part of the Reorganisation, all indebtedness outstanding between the WCI Group and the Wickes Group has been discharged in full; no further indebtedness will arise in the future (other than from dividend appropriation). WCI believes that the board of the Company should include sufficient directors unconnected with it or the WCI Group so as to ensure independent representation for the public shareholders.

The WCI Group has agreed, as part of the offer for sale arrangements, to grant the Wickes Group the right to use the "Wickes" name and associated trade marks in Europe. Full details of this agreement are set out in paragraph 9 of Part IV hereof. There are no restrictions on the Wickes Group trading elsewhere as long as it does not trade under the "Wickes" name. The WCI Group is not permitted to carry on a competitive business in Europe.

REASONS FOR THE OFFER FOR SALE AND RESULTANT SHAREHOLDINGS

The directors intend to expand the Wickes Group's activities through an active programme of new store openings and the relocation of certain of the existing stores. To finance this programme, the Company is now issuing 4,950,000 new ordinary shares, representing 15 per cent. of its enlarged share capital, by way of offer for sale to the public. The net proceeds of the offer for sale will amount to £6.1 million, net of estimated expenses.

Following the offer for sale, WIC will own 85 per cent. of the ordinary share capital of the Company; the WCI Group has undertaken to Rowe & Pitman that it will not dispose of any ordinary shares in the Company for a period of two years following the offer for sale without the consent of Rowe & Pitman.

The Company has agreed, conditionally on the Council of The Stock Exchange granting permission to deal in the ordinary shares in the Unlisted Securities Market, to issue £3,000,000 7¾ per cent. Convertible Unsecured Loan Stock 1996 at par to Investors in Industry plc. Full details of this and other arrangements with Investors in Industry plc are set out in paragraph 7 of Part IV of this document. On full conversion, Investors in Industry plc would own 1,863,354 ordinary shares, representing 5.3 per cent. of the Company's enlarged share capital.

PRO-FORMA NET TANGIBLE ASSETS

The following pro-forma statement of net tangible assets is based on the audited consolidated balance sheet of the Company as at 27th July, 1985 as adjusted for the Reorganisation, the estimated net proceeds of the offer for sale of £6.1 million, the repayment of £10,250,000 of long term debt to Investors in Industry plc and of £1,250,000 of other loans and the entering into of new financing arrangements with Investors in Industry plc involving a £3 million 12 per cent. Secured Loan 1998 and an issue of £3 million 7¾ per cent. Convertible Unsecured Loan Stock 1996.

	Pro-forma As at 27th July, 1985 £'000	£'000
Fixed assets		29,389
Current assets		
Cash	7,363	
Other	15,609	
	22,972	
Current liabilities		
Borrowing	(2,336)	
Other	(19,059)	
	(21,395)	
Net current assets		1,577
		30,966
Long term creditors		
Borrowing	(6,782)	
Other	(1,512)	
		(8,294)
Net tangible assets		22,672

Net tangible assets per share, based on the number of ordinary shares in issue following the offer for sale — 68.7p

Net tangible assets per share, as above but assuming full conversion of the 7¾ per cent. Convertible Unsecured Loan Stock 1996 — 73.6p

The Wickes Group's freehold and long leasehold properties in England (excluding those in the course of development) were valued by Hillier Parker as at 30th November, 1985 on the basis of open market value for their existing use. This valuation, which showed a market value of £16.4 million as against a net book value of those assets of £13.4 million at 27th July, 1985, has not been incorporated in the above pro-forma statement of net tangible assets.

TRADING RECORD

The following table, which is derived from the Accountants' Report as set out in Part III of this document, summarises the results of the Wickes Group (on a historical cost basis), as adjusted to reflect the Reorganisation, for the five financial years ended 26th January, 1985 and the 26 weeks ended 27th July, 1985:

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	26 weeks to 27th July, 1985 £'000
Turnover	41,452	54,486	72,178	89,734	103,260	55,588
Profit before exceptional items and interest	800	1,810	2,575	2,805	3,422	2,361
Exceptional items	—	(1,470)	(515)	—	—	—
Operating profit	800	340	2,060	2,805	3,422	2,361
Net interest payable	(1,293)	(2,121)	(1,713)	(1,373)	(1,241)	(877)
Profit/(loss) before taxation	(493)	(1,781)	347	1,432	2,181	1,484
Taxation	149	297	(41)	278	(287)	(475)
Profit/(loss) after taxation	(344)	(1,484)	306	1,710	1,894	1,009
Earnings/(loss) per share	(1.2p)	(5.3p)	1.1p	6.1p	6.8p	3.6p

Pre April, 1982

During this period, the English activities started to benefit from the new retailing concept but the Dutch and Belgian operations achieved only moderate results.

The losses reported in 1980 and 1981 arose in England and Holland from high interest charges and currency losses on dollar denominated short term borrowings, from the disposals of assets at the conclusion of a joint venture and from costs arising on store closures.

Post April, 1982

The rationalisation and reconstruction of the Wickes Group included the refinancing of short term borrowings and the imposition of strong financial management. These measures, together with the continued development of the Wickes retailing coocept in England, were primarily responsible for the growth in profits and, although store openings were restricted, the momentum in England was maintained by improving controls and margins and by increasing turnover through the introduction of new products.

In Belgium, the transition to the Wickes retailing concept commenced io late 1982, following management changes and a programme of stock rationalisation. This, together with the selection of oew suppliers, continued throughout 1983 and resulted in substantial losses in that year. The benefits of the changes are now being felt and the Belgian subsidiary achieved underlying growth in sales (in local currency) of 20 per cent. in 1984 and 21 per cent in the first half of 1985. This substantial growth is reflected in the profit before taxation for these periods.

The Dutch subsidiary was the last business to change its trading format, partially because of the need to strengthen the Dutch management team and reorganise the existing store structure. This resulted in extraordinary charges of £1.6 million which were borne by WIC and, with the exceptioo of 1983, insufficient sales were generated to enable overheads to be covered. In September, 1984, these problems were addressed by merging the management teams of the Dutch and Belgian companies into a single management unit with resultaot overhead savings. The transition to the Wickes retailing concept, which the new management initiated, caused an initial decline in sales and losses were incurred during this period by the Dutch company. However, by the end of 1984 sales had started to grow again and the recovery has continued into the current year. Interest charges in Holland have also risen, resulting in an increased loss before taxation in that country in the first half of the current year. Following the repayment of loans amounting to £1,250,000 in November, 1985 and continued growth in sales, the operations in Holland are expected by the directors to break even for the second half of the current year.

Low tax charges over the five-year period have arisen primarily from the utilisation of prior year losses. In particular, the net tax credit in 1983 arose from the release of certain deferred tax provisions and the low tax charge in 1984 reflects the utilisation of tax losses. By 1985, the tax losses relating to England and Belgium had been substantially utilised.

PROFIT FORECAST AND PRO-FORMA EARNINGS PER SHARE

On the bases and assumptions set out in Part II of this document and in the absence of unforeseen circumstances, the directors forecast that, in respect of the 52 weeks ending 25th January, 1986, the Wickes Group's profit before taxation will be not less than £3.6 million. This forecast reflects the growth in sales, gross margin and profits occurring in the second half of the current year. On the basis of the oumber of ordinary shares in issue immediately before the offer for sale and the estimated actual tax charge of 35 per cent., earnings per share would be 8.3p. It is not anticipated that an adjustment to reflect the full conversion of the 7¾ per cent. Convertible Unsecured Loan Stock 1996 would have a material effect on future earnings per share.

The forecast of profit before taxation is based on the audited consolidated accounts of the Wickes Group for the 26 weeks ended 27th July, 1985, as set out in the Accountants' Report in Part III of this document, unaudited management accounts for the 22 weeks ended 28th December, 1985 and forecast results for tha four weeks ending 25th January, 1986.

On the assumption that this offer for sale had taken place on 28th January, 1985 and at an average interest rate of 11 per cent., the Company would have received additional interest of £0.6 million on the net proceeds of the offer for sale and the cash contribution of £3.3 million from WIC, after allowing for the repayment of certain long term loans. Following the entering into of the new loan arrangements with Investors in Industry plc (details of which are set out in paragraph 7 of Part IV hereof) and the repayment of £1,250,000 of other loans, there will be additional interest savings. Adjusting the profit forecast for these factors and for additional on-going administration expenses resulting from public limited company status, the pro-forma forecast profit before taxation for the year ending 25th January, 1986 would be £4.8 million. On the basis of the estimated actual tax charge of 35 per cent. and the number of ordinary shares in issue following the offer for sale, pro-forma earnings per share would be 9.45p.

DIVIDENDS

Had permission to deal in the ordinary shares of the Company in the Unlisted Securities Market been granted on 28th January, 1985 and on the basis of the forecast results for the 52 weeks ending 25th January, 1986, the directors would have recommended total net dividends of 2.0p per ordinary share in respect of that year. These would, at current taxation rates, represent e gross yield of 2.0 per cent. on the offer for sale price and would have been covered 4.7 times by the forecast Wickes Group profit after deduction of taxation at an estimated rate of 35 per cent.

It is intended that dividends will be apportioned as to approximately one-third as an interim dividend payable in November and the balance as a final dividend payable in July of each year. The ordinary shares now offered for sale will first rank for the interim dividend payable in November, 1986; no dividend will be paid on the ordinary shares in respect of the 52 weeks ending 25th January, 1986.

PROSPECTS

The Wickes Group has developed a distinctive retailing style which has proved particularly successful in England. In the United Kingdom, Wickes stores only cover 12 per cent. of households and there is therefore considerable scope for expanding the existing store oetwork. An active store opening programme is planned and, in particular, two stores will open in England in the first half of 1986.

Wickes Benelux management will continue the introduction of selling techniques and products that have become increasingly successful and will strengthen the store network. It is envisaged that two stores will open in Belgium during 1986 and the Wickes Group is actively looking at additional sites in Belgium and Holland.

As well as extending the customer base through store openings, the directors intend to expand, where possible, the range of products and services now offered to existing customers.

The directors are confident that these factors, coupled with the continued emphasis on strong financial management, will provide a firm foundation for the future.

Part II
INFORMATION RELATING TO THE PROFIT FORECAST

BASES AND ASSUMPTIONS

The forecast of profit before taxation for the Wickes Group for the 52 weeks ending 25th January, 1986 has been made under the historical cost convention and is based on the audited results for the 26 weeks ended 27th July, 1985, as set out in the Accountants' Report in Part III of this document, unaudited management accounts for the 22 weeks ended 28th December, 1985 and forecast profits for the four weeks ending 25th January, 1986, all adjusted to reflect the Reorganisation. It is based on the following principal assumptions:

1. the exchange rate between sterling and the currencies in which the Wickes Group operates will not vary significantly over the remainder of the year;
2. the operations of the Wickes Group and its suppliers will not be significantly affected by industrial action, weather conditions or civil disturbances; and
3. there will be no adverse changes in legislation or Government regulations or policies in the countries in which the Wickes Group trades.

LETTERS

The following are copies of letters relating to the forecast of profit before taxation of the Wickes Group for the 52 weeks ending 25th January, 1986:—

(a) **Letter from Arthur Andersen & Co.**

The Directors
Wickes plc
14 Berners Street
London W1P 3DE

1 Surrey Street
London WC2R 2PS

Rowe & Pitman
1 Finsbury Avenue
London EC2M 2PA

14th January, 1986

Gentlemen

We have reviewed the accounting policies and calculations for the forecast of profit before taxation of Wickes plc and its subsidiaries (the "Wickes Group") for the 52 weeks ending 25th January, 1986, together with the bases and assumptions upon which such forecast is made, as set out in the offer for sale document dated 14th January, 1986. The forecast is based on audited consolidated accounts for the 26 weeks ended 27th July, 1985, unaudited management accounts for the 22 weeks ended 28th December, 1985 and on a management forecast for the four weeks to 25th January, 1986, adjusted as appropriate to reflect the Reorganisation (as defined in the offer for sale document).

In our opinion, the forecast, for which the directors of Wickes plc are solely responsible, has been properly compiled so far as the accounting policies and calculations are concerned and on the bases and assumptions used and is presented on e basis consistent with the accounting policies normally adopted by the Wickes Group.

Yours faithfully
Arthur Andersen & Co.

(b) **Letter from Rowe & Pitman**

The Directors
Wickes plc
14 Berners Street
London W1P 3DE

1 Finsbury Avenue
London EC2M 2PA

14th January, 1986

Gentlemen

We have discussed with you the forecast of profit before taxation of Wickes plc and its subsidiaries for the 52 weeks ending 25th January, 1986 together with the bases and assumptions on which such forecast is made, as set out in the offer for sale document dated 14th January, 1986. We have also considered the letter dated 14th January, 1986 addressed to us from Arthur Andersen & Co. regarding the accounting policies adopted and the calculations made in arriving at this profit forecast. We consider that the forecast, for which you, as directors of Wickes plc, are solely responsible, has been made after due and careful enquiry.

Yours faithfully
Rowe & Pitman

Part III
ACCOUNTANTS' REPORT

The following is a copy of a report from Arthur Andersen & Co., Chartered Accountants, the auditors and reporting accountants:—

The Directors
Wickes plc
14 Berners Street
London W1P 3DE

1 Surrey Street
London WC2R 2PS

Rowe & Pitman
1 Finsbury Avenue
London EC2M 2PA

14th January, 1986

Dear Sirs,

INTRODUCTION

1. Wickes plc ("the Company") was incorporated and registered in England as a private company on 12th July, 1983 as Precis (181) Limited, with an issued share capital of two ordinary shares of £1 each. On 5th September, 1983 these ordinary shares were sold to Wickes International Corporation ("WIC"), and, on 30th September, 1983, a further 3,000,000 ordinary shares of £1 each were issued to WIC in exchange for the whole of the share capital of Wickes Building Supplies Limited and Wickes Properties Limited.
On 4th October, 1983, the name of the Company was changed to Wickes Limited. The Company was re-registered as a public company on 29th November, 1985. On 5th January, 1986, an additional 8,218,998 ordinary shares of £1 each were issued to WIC in exchange for the whole of the share capital of Wickes Overseas Holdings Limited, the parent company of Wickes BV and Wickes NV. On 13th January, 1986, every two ordinary shares of £1 were consolidated into one ordinary share of £2, which was then sub-divided into five ordinary shares of 40p each.
2. The Company has, since 5th September, 1983, been a wholly-owned subsidiary of WIC, whose ultimate holding company is Wickes Companies, Inc. Both of these companies are incorporated in the State of Delaware, United States of America.
3. The financial information for the last five years and twenty six weeks has been presented on the basis that the Company had held all the relevant shareholdings of its subsidiaries throughout this period, or, if shorter, for the period since their incorporation, as this reflects the underlying economic group, comprising the businesses in England, Holland and Belgium, now formed as a legal group ("the Group"). The Group includes the Company and the subsidiary companies, listed in note 21, which it owns directly or indirectly.
4. The financial information contained in this report has been based on the audited accounts of the Company and its subsidiaries after making such adjustments as we consider necessary.
The consolidated balance sheet at 27th July, 1985 includes additional capital of £5.0 million contributed to a subsidiary by WIC in cash. On 18th December, 1985, £3.3 million was contributed and the balance of £1.7 million was contributed on 3rd January, 1986 and used to repay net amounts owed to WIC by the Group at that date. These transactions are included at 27th July, 1985 as they represent funds held by WIC and therefore available to the Group at that date.
5. Arthur Andersen & Co. have been the auditors of the Company since its incorporation and of all its subsidiaries for the three years ended 26th January, 1985 and the twenty six weeks ended 27th July, 1985. The audit reports of the Company and all its subsidiaries were unqualified for each of these accounting periods. Coopers & Lybrand were the auditors of the Company's subsidiaries for the two years ended 30th January, 1983. Their auditors' reports for certain subsidiaries for the year ended 30th January, 1982 were qualified as set out in note 23 to the financial information below. As a result of events occurring subsequent to the date of their reports, such qualifications are no longer relevant in the context of the financial information presented in this report.
6. The accounting periods ending in January of each year are referred to by the calendar years ending on 31st December prior to those January year ends.
7. We have examined the consolidated balance sheets of the Group as at the end of each of the five years ended 26th January, 1985 and as at 27th July, 1985 and the consolidated profit and loss accounts and statements of source and application of funds for each of the five years ended 26th January, 1985 and for the twenty six weeks ended 27th July, 1985 prepared on the basis described above and in the accounting policies section below in accordance with approved Auditing Standards.
8. In our opinion, the financial information presented below, which has been prepared under the historical cost convention, gives a true and fair view of the state of affairs of the Group as at the end of each of the five years ended 26th January, 1985 and as at 27th July, 1985, and of the results and source and application of funds for each of the five years and twenty six weeks then ended.
9. Other than the combination of the accounts for the period to 27th July, 1985 as presented in this report, no audited accounts for the Company or any of its subsidiaries have been prepared in respect of any accounting period subsequent to 26th January, 1985.

ACCOUNTING POLICIES

(a) **Basis of Preparation**
The accounts have been prepared under the historical cost convention.

(b) **Accounting Periods**
The Company and all its subsidiaries prepare annual accounts up to the date of the last Saturday in January each year. Accordingly the accounting periods are for 52 weeks, with a 53 week period occurring in the calendar year 1980.

(c) **Basis of Consolidation**
As explained in the introduction to this report for the purposes of presenting the consolidated results of the Group for the last five years and twenty six weeks, the financial information has been prepared on the basis that the Company held all the relevant shareholdings of its subsidiaries throughout that period, or for the period since their incorporation. Accordingly, the share capital shown in the consolidated balance sheets for that period is the combined share capital of the Company and the subsidiaries that comprise the Group as this best represents the capital base of the Group during the period.

(d) **Foreign Currency Translation**
The financial statements of foreign subsidiaries are translated into sterling for the purposes of consolidation using the closing rate/net investment method. Under this method the balance sheet is translated at the exchange rate ruling at the balance sheet date and the profit and loss account at the average rate for the period. Exchange differences arising from the effect of exchange rate movements on the net investment are taken directly to reserves.
Exchange gains and losses arising from foreign currency transactions, or from foreign currency balances where there has been movement in the exchange rate between the date of the transaction and the balance sheet date, are reported in the profit and loss account. All balances denominated in foreign currencies are reported at the rate ruling at the balance sheet date.

(e) **Investments**
Investments in certain subsidiaries which have not been consolidated, or where the company holds a substantial interest in (but less than 50 per cent.) the share capital of a related company, are included on the equity basis of accounting.

(f) **Turnover**
Turnover represents the value of goods sold to customers net of value added tax.

(g) **Tangible Fixed Assets and Depreciation**
Tangible fixed assets are stated at cost less accumulated depreciation.
Interest expense, which is incurred during the development of a property net of any taxation credit, is capitalised into the cost of that property to the extent that the total cost of the property is not greater than the estimated open market value.
Freehold land is not depreciated. The cost of other tangible fixed assets is depreciated using the straight line method over the expected useful lives of the assets as follows:

Freehold buildings	— 25 years
Leasehold properties	— over the period of the lease
Leasehold improvements	— 10 years or over the period of the lease if shorter
Equipment, fixtures and fittings	— 3-10 years.

(h) **Stocks**
Stocks are valued at the lower of cost and net realisable value. Cost is calculated by deducting the appropriate trading margins from current retail prices. Net realisable value is the price at which stock can be realised in the normal course of business after allowing for the costs of realisation. Provision is made for obsolete, slow moving and defective stock.

(i) **Taxation**
Corporation tax is provided on taxable profits at the appropriate rate for the period.
Deferred taxation is computed using the liability method, whereby such taxation is determined by applying the rate of tax applicable at the balance sheet date to the accumulated timing differences. Deferred taxation is only provided where it is probable that timing differences will reverse and a liability will crystallise.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Notes	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	26 weeks to 27th July, 1985 £'000
Turnover	1	41,452	54,486	72,176	89,734	103,280	55,588
Cost of sales		(38,353)	(50,021)	(66,303)	(82,381)	(94,871)	(50,633)
Gross profit		3,099	4,465	5,873	7,353	8,389	4,955
Administrative expenses		(2,299)	(3,655)	(3,298)	(4,548)	(4,967)	(2,594)
Exceptional items	2	—	(1,420)	(515)	—	—	—
Operating profit		800	340	2,060	2,805	3,422	2,361
Interest receivable		—	216	180	137	118	81
Interest payable	3	(1,293)	(2,337)	(1,893)	(1,510)	(1,359)	(958)
Profit/(loss) on ordinary activities before taxation and extraordinary items	4	(493)	(1,781)	347	1,432	2,181	1,484
Taxation	5	149	287	(41)	278	(287)	(475)
Profit/(loss) on ordinary activities after taxation but before extraordinary items		(344)	(1,494)	306	1,710	1,894	1,009
Extraordinary items, net of taxation	6	(465)	(1,559)	—	—	—	—
Retained profit/(loss)		(809)	(3,053)	306	1,710	1,894	1,009
Earnings/(loss) per share	8	(1.2p)	(5.3p)	1.1p	6.1p	6.8p	3.6p

CONSOLIDATED BALANCE SHEETS

	Notes	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	27th July, 1985 £'000
Fixed assets:							
Tangible assets	8	13,583	16,714	21,438	22,389	25,843	29,389
Investments	10	1,531	403	283	260	—	—
		15,114	17,117	21,721	22,649	25,843	29,389
Current assets:							
Stocks		7,982	9,416	9,676	9,414	11,328	10,539
Debtors	11	1,777	1,837	4,367	3,179	3,482	5,070
Cash at bank and in hand	12	38	1,475	2,813	1,950	1,998	6,763
		9,797	12,728	16,856	14,543	16,808	22,372
Creditors: Amounts falling due within one year	13	(8,262)	(12,580)	(16,249)	(14,118)	(16,242)	(21,395)
Net current assets		1,535	148	607	425	566	977
Total assets less current liabilities		16,649	17,265	22,328	23,074	26,409	30,366
Creditors: Amounts falling due after more than one year	14	(11,801)	(15,156)	(16,165)	(14,585)	(15,506)	(13,794)
Net assets		4,848	2,109	6,163	8,489	10,903	16,572
Capital and reserves:							
Share capital	15	2,320	2,320	6,315	6,226	6,226	11,220
Profit and loss account		3,641	598	904	2,614	4,508	5,517
Other reserves	18	(1,113)	(809)	(1,056)	(351)	169	(165)
Total capital employed		4,848	2,109	6,163	8,489	10,903	16,572

CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	26 weeks to 27th July, 1985 £'000
SOURCE OF FUNDS						
Profit/(loss) before taxation and extraordinary items	(493)	(1,781)	347	1,432	2,181	1,484
Adjustment for items not involving the movement of funds:—						
Depreciation	755	1,354	1,493	1,703	1,676	1,072
(Gain)/loss on disposal of tangible fixed assets	(2)	(101)	282	18	(98)	15
Extraordinary items	(465)	(1,559)	—	—	—	—
Total generated/(absorbed) by operations	(205)	(2,087)	2,122	3,153	3,759	2,571
Proceeds from disposal of fixed assets	2,100	1,576	224	72	2,783	81
Taxation recovered	28	—	12	493	—	—
Increase in amounts due after more than one year	9,431	3,355	1,009	—	921	—
Capitalised loans	—	—	3,995	—	—	—
Exchange rate movements	497	86	—	15	—	389
Funds received from WIC	—	—	—	—	—	4,994
	11,851	2,830	7,362	3,733	7,463	8,035
APPLICATION OF FUNDS						
Purchase of tangible fixed assets	8,678	4,614	6,678	2,031	6,866	5,598
Decrease in amounts due after more than one year	—	—	—	1,228	—	1,712
Taxation paid	—	37	—	—	27	38
Exchange rate movements	—	—	172	—	169	—
Other	—	—	—	89	—	—
	3,173	(1,721)	512	385	401	687
INCREASE/(DECREASE) IN WORKING CAPITAL						
Stocks	1,563	1,434	260	(262)	1,914	(789)
Debtors	365	(274)	2,358	(863)	382	1,427
Creditors falling due within one year	1,242	(4,318)	(3,644)	2,173	(1,923)	(4,716)
	3,170	(3,158)	(826)	1,248	353	(4,078)
MOVEMENT IN NET LIQUID FUNDS						
Cash at bank and in hand	3	1,437	1,338	(863)	48	4,765
	3,173	(1,721)	512	385	401	687

NOTES

1. **Geographical Analysis**
(a) The geographical analysis of turnover is:

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	26 weeks to 27th July, 1985 £'000
England	10,399	24,099	37,913	51,028	62,319	33,849
Holland	22,331	20,691	23,948	27,145	25,788	13,073
Belgium	8,722	9,696	10,317	11,561	15,153	8,666
	41,452	54,486	72,178	89,734	103,260	55,588

The turnover of the Group is comprised of sales of timber, building materials and associated home improvement products.

(b) The geographical analysis of profit/(loss) before taxation and extraordinary items is:

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	26 weeks to 27th July, 1985 £'000
England	(536)	(1,807)	834	1,634	2,820	1,469
Holland	(166)	(348)	(411)	184	(730)	(392)
Belgium	209	174	(76)	(386)	91	407
	(493)	(1,781)	347	1,432	2,181	1,484

2. **Exceptional Items**

	1981 £'000	1982 £'000
Store disposal costs	(584)	(515)
Exchange losses	(886)	—
	(1,470)	(515)

Store disposal costs represent costs incurred on the disposal of certain store sites in England in 1981 and on the closure of certain stores in Holland in both 1981 and 1982.
The exchange losses were suffered on bank loans denominated in US dollars as a result of a significant fall in the value of sterling against the dollar during that year.

3. **Interest Payable**

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	26 weeks to 27th July, 1985 £'000
Bank loans and overdrafts	904	973	560	222	73	79
Other loans due within five years	257	435	52	66	63	110
Other loans due after five years	132	929	1,281	1,222	1,203	769
	1,293	2,337	1,893	1,510	1,359	958

Interest payable included amounts payable to WIC of £461,000 in 1980 and £546,000 in 1981.

4. **Profit on Ordinary Activities before Taxation and Extraordinary Items**
Profit before taxation and extraordinary items is stated after charging:

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	26 weeks to 27th July, 1985 £'000
Depreciation	755	1,354	1,493	1,703	1,676	1,072
Hire of plant and machinery	100	160	217	274	329	147
Auditors' remuneration	48	54	60	51	49	39
Directors' emoluments	—	—	—	54	189	117

The emoluments of directors comprise only the emoluments of the directors of the Company for the period since incorporation on 12th July, 1983. In prior years, the emoluments of directors have been included in administrative expenses.

5. **Taxation**
The taxation (charge) or credit for each year comprises the following:

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	26 weeks to 27th July, 1985 £'000
United Kingdom corporation and income tax	113	—	(24)	(42)	(287)	(254)
Overseas tax	36	287	(17)	(32)	—	(60)
Deferred tax	—	—	—	352	—	(161)
	149	287	(41)	278	(287)	(475)

The taxation credits and low taxation charges arise due to the utilisation of losses and the release of deferred tax provisions.
At 27th July, 1985 there were tax losses available to be carried forward of approximately £3.8 million of which approximately £3.0 million were in Holland. These losses can only be utilised against future tax liabilities arising in the countries in which they originated.
Provision for deferred tax has been made to the extent that it is probable that timing differences will reverse in the foreseeable future. The full potential liability to deferred taxation at 27th July, 1985 was £1.5 million, being the tax on timing differences between accumulated depreciation and capital allowances.

6. **Extraordinary Items, Net of Taxation**

	1980	1981	1982	1983	1984	26 weeks to 27th July, 1985
Earnings of discontinued operations (net of £264,000 taxation)	133	—	—	—	—	—
Disposal of investments	—	(1,559)	—	—	—	—
Divestiture costs	(598)	—	—	—	—	—
Costs of reorganisation of Dutch business	—	—	—	—	(334)	(1,314)
Costs of Dutch reorganisation borne by WIC	—	—	—	—	334	1,314
	(465)	(1,559)	—	—	—	—

As disclosed in note 10, certain investments were held by Wickes BV in 1980 and 1981 which were subsequently disposed of. The earnings of these investments in 1980, net of taxation, have been shown separately as discontinued operations, together with the net loss on disposal which was taken in the accounts of Wickes BV in 1981.
Prior to becoming a wholly-owned subsidiary of WIC, Wickes Building Supplies Limited was 50 per cent. owned by J. H. Sankey & Son Limited. As part of the agreement by which Wickes Building Supplies Limited became a wholly owned subsidiary of WIC, certain of its assets were transferred to J. H. Sankey & Son Limited at below net book value. The divestiture costs recorded in 1980 represent the amount by which the net book value exceeded the transfer value of those assets.
The costs of the £1.6 million arising on the Dutch reorganisation were borne by WIC as part of its restructuring of the European business, which also included the sale of Wickes GmbH resulting in a gain of £1.7 million.

7. **Dividends**
No dividends have been paid by the Company since incorporation.

8. **Earnings/(Loss) Per Share**
Earnings/(loss) per share throughout the five year and twenty six week period are based on the profits or losses after taxation but before extraordinary items and have been calculated using 28,050,000 ordinary shares of 40p each, being the number of ordinary shares in issue immediately prior to the offer for sale. The ordinary shares which are the subject of the offer for sale are excluded from the calculation.

9. **Tangible Fixed Assets**

	1984 Cost £'000	1984 Accumulated Depreciation £'000	1984 Net Book Value £'000	27th July, 1985 Cost £'000	27th July, 1985 Accumulated Depreciation £'000	27th July, 1985 Net Book Value £'000
Freehold properties	14,998	1,022	13,976	17,718	1,162	16,556
Long leasehold properties	1,897	58	1,839	1,897	65	1,832
Short leasehold properties	1,466	175	1,291	1,530	211	1,318
Leasehold improvements	4,072	998	3,074	4,810	1,036	3,874
Equipment, fixtures and fittings	9,857	4,194	5,663	10,340	4,532	5,808
	32,290	6,447	25,843	36,395	7,006	29,389

Short leasehold properties are those with remaining lease terms of less than 50 years.
The freehold and long leasehold properties in England (excluding those in the course of development), with net book values at 27th July, 1985 amounting to £13.4 million, were valued as at 30th November, 1985 by Hillier Parker, Chartered Surveyors. This valuation indicated that the open market value for their existing use, was approximately £3 million above the net book value of those assets at 27th July, 1985, before provision for a potential capital gains tax liability of approximately £0.2 million. This increase in value has not been reflected in the consolidated balance sheet at 27th July, 1985.

10. **Investments**
The following investments were held by subsidiaries in the Group during the period and have been accounted for on the equity basis:

	Percentage interest held: 1980	1981	1982	1983
Wickes GmbH (West Germany)	100	100	—	—
Wickes S.A. (France)	100	100	—	—
Wickes & Co./V.O.F. (Holland)	48	48	48	48
Wickes Arabia Limited (Saudi Arabia)	50	50	—	—
Klingler-Wickes Grundstückgesellschaft (West Germany)	48	—	—	—
Sultan-Wickes (Kuwait)	—	48	—	—

(a) Wickes GmbH and Wickes SA were subsidiaries of Wickes BV, until sold to WIC in 1982. In 1983, Wickes SA was placed in liquidation and, in 1985, Wickes GmbH was sold to a third party.
(b) Wickes & Co./VOF was a partnership formed between Wickes Vastgoed BV and a third party to hold certain properties which were leased to Wickes BV. In 1984, Wickes Vastgoed BV purchased the interest of the other partner.
(c) Wickes BV held interests in Klingler-Wickes Grundstückgesellschaft and Wickes Arabia Limited, both of which were sold to third parties in 1981 and 1982 respectively. The joint venture Sultan-Wickes was liquidated.

11. **Debtors**
Amounts falling due within one year:

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	27th July, 1985 £'000
Debtors	890	506	431	343	596	975
Due from holding company (see notes 14(b) and 20(d))	—	—	2,152	1,339	1,488	2,825
Due from affiliated companies	—	—	430	—	—	—
Taxation	367	701	673	148	89	250
Prepayments	373	521	570	747	891	1,019
Other	147	109	111	602	418	1
	1,777	1,837	4,367	3,179	3,482	5,070

12. **Cash at Bank and in Hand**
The cash at bank and in hand at 27th July, 1985 includes £3,371,980 which was held by WIC and was available to the Group at that date but which was not introduced into the Group until 18th December, 1985.

13. **Creditors**
Amounts falling due within one year:

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	27th July, 1985 £'000
Bank loans and overdrafts	2,787	6,477	3,582	1,036	772	2,336
Trade creditors	4,295	3,772	9,546	8,606	11,938	14,038
Due to holding company (see notes 14(b) and 20(d))	—	—	—	—	631	631
Due to affiliated companies	—	—	213	694	—	—
Taxation	—	—	25	67	268	705
Value added tax	15	435	186	728	130	497
Social security	27	92	73	192	102	118
Accruals	1,138	1,587	2,414	1,579	2,113	3,034
Other	—	217	210	318	288	38
	8,262	12,580	16,249	14,118	16,242	21,395

14. **Creditors**
Amounts falling due after more than one year:

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	27th July, 1985 £'000
Bank loans due within 2 years	74	61	41	18	—	—
Bank loans due within 2-5 years	92	409	453	426	3,243	2,032
Other loans due after 5 years	4,122	6,855	10,000	10,000	10,000	10,250
	4,288	7,325	10,494	10,445	12,243	12,282
Loans due to holding company (see note 20(d))	5,963	6,178	3,949	2,954	2,766	940
Deferred income	1,001	1,037	1,073	887	—	—
Deferred government grants	222	277	302	299	497	411
Deferred taxation	327	339	347	—	—	161
	11,801	15,156	16,165	14,585	15,506	13,794

(a) Loans due within two to five years represent loans denominated in Dutch Guilders which are at various fixed rates of interest. £2 million of the loans are secured on certain property assets. As described in note 20(a), £1,250,000 of secured loans were repaid on 1st November, 1985.
Loans due after more than five years comprise sterling denominated loans on which interest is charged at 1½ per cent. above LIBOR for three months' deposits on a rolling quarterly basis. These loans are secured on certain property assets of the Group and repayments are scheduled to commence in 1990 by four equal annual instalments of the balance outstanding at that date. However, these loans will be restructured as part of the offer for sale, as described in note 20(f).
(b) Amounts due to or from the holding company represent funding within the European group and relate to amounts due to or from WIC, the previous holding company of the European activities. In 1980 and 1981 the loans were interest bearing at variable commercial rates of interest, but became non-interest bearing from 1982. In 1982, certain of the loans due by subsidiaries, amounting to £4.0 million, were capitalised. As described in note 20(d), all outstanding amounts have been settled and, accordingly, the amount shown above has been reduced by £1.7 million, being the amount owing to WIC on 3rd January, 1986.
(c) Deferred income comprises the profit realised from the sale of certain stores in Holland in 1980 under a sale and leaseback agreement. The surplus was amortised over the term of the leases until the stores were re-purchased in 1984 and the remaining surplus was set against the carrying value of the assets.

15. **Share Capital**
The share capital of the Company at 27th July, 1985, together with changes since that date, was as follows:—

	Authorised	Issued and fully paid
ordinary shares of £1 each	£10,000,000	£3,000,002

(a) On 5th January, 1986, the authorised share capital was increased to £20,000,000.
(b) On 5th January, 1986, a further 8,218,998 ordinary shares of £1 each were issued, fully paid, to WIC for the acquisition of Wickes Overseas Holdings Limited.
(c) On 13th January, 1986, every two ordinary shares of £1 each were consolidated into one ordinary share of £2 each, which was then sub-divided into five ordinary shares of 40p each.

As explained in accounting policy (c), Basis of Consolidation, the share capital shown in the balance sheets represents the nominal value of share capital of all the companies in the Group as this best represents the capital base of the Group throughout the period covered by the report.
The movements of share capital were:

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	27th July, 1985 £'000
Beginning of period	2,320	2,320	2,320	6,315	6,226	6,226
Capitalisation of loans due to holding company	—	—	3,995	—	—	—
Share capital of the Company	—	—	—	3,000	—	8,220
Consolidation adjustment of subsidiaries acquired	—	—	—	(3,089)	—	(3,226)
End of period	2,320	2,320	6,315	6,226	6,226	11,220

16. Other Reserves

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	27th July, 1985 £'000
Translation adjustment	(1,113)	(475)	(224)	(630)	(110)	(444)
Other reserves	—	(334)	(832)	279	279	279
	(1,113)	(809)	(1,056)	(351)	169	(165)

(a) The translation adjustment is the effect of currency movements on the net investment in foreign subsidiaries whose accounts are translated into sterling for the purposes of consolidation.

(b) Other reserves represent provisions and revaluations on certain properties owned by subsidiaries which were acquired by the Company in 1983 but which for the purposes of these financial statements are treated as being owned for the whole of the five year and twenty six week period. These items have not been reflected in the profit and loss account as they are pre-acquisition components of the fair market value paid by the Company for the net asset value of those subsidiaries and form part of the goodwill written off directly to reserves in the Company's consolidated balance sheet in 1983.

(c) Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	1984 £'000	27th July, 1985 £'000
Distributable:		
Profit and loss account	4,508	5,517
Non-distributable:		
Other reserves	169	(165)
	4,677	5,352

The Company has distributable reserves of £1 million, being a dividend declared by Wickes Building Supplies Limited in respect of the period to 27th July, 1985 and paid on 29th November, 1985.

17. Capital Commitments

At 27th July, 1985 the Group had the following authorised capital commitments:

	£'000
Contracted	2,178
Not contracted	1,864
	4,042

18. Financial Commitments

Minimum annual rentals under leases are payable in the following years:

	27 July, 1985 £'000
1986	2,132
1987	1,865
1988	1,621
1989	1,304
1990	1,187
After five years	8,458
	16,567

19. Pensions

Certain subsidiaries have pension plans which are administered independently of the Company's finances and contributions are paid by Group companies in the funds in accordance with the recommendations of independent actuaries. An actuarial valuation of the United Kingdom pension plan, performed as at 1st November, 1984, and updated in November, 1985, confirmed that there were no significant unfunded liabilities. The Belgian and Dutch pension plans are fully insured.

20. Subsequent Events

(a) On 1st November, 1985, a subsidiary repaid secured bank loans in the amount of £1,250,000 which were repayable within two to five years.

(b) On 29th November, 1985, the Company re-registered as a public company.

(c) On 19th December, 1985, a subsidiary entered into an agreement to effect the sale of a lease to a third party, and subsequent leaseback to another subsidiary, on a fully developed site in Cricklewood, North London. The premium received from the sale of the lease on this property amounted to £2.5 million and will be amortised over the appropriate period of the lease, with the subsidiary retaining its interest in the freehold.

(d) All outstanding amounts due to or from WIC at 3rd January, 1986 have been settled and this is reflected in the consolidated balance sheet at 27th July, 1985.

(e) On 5th January, 1986, the Company acquired the whole of the share capital of Wickes Overseas Holdings Limited, the holding company of Wickes BV, Wickes NV, Wickes Vastgoed BV, and Eutraco BV. This has been reflected in the financial information presented for each of the five years and twenty six weeks ended 27th July, 1985. On 5th January, 1986, the business of Wickes Europe, Inc. was acquired by Wickes Europe Limited.

(f) On 13th January, 1986, the Group entered into arrangements with Investors in Industry plc whereby, conditional on the repayment of £10,250,000 of secured long term debt as to part on 31st January, 1986 and as to the balance on 28th February, 1986, Investors in Industry plc agreed to make available £3,000,000 12 per cent. secured loan facility repayable in ten years and, conditionally on permission being granted to deal in the ordinary shares in the Unlisted Securities Market, to subscribe for £3,000,000 7½ per cent. Unsecured Convertible Loan Stock 1996 convertible from 1989 into ordinary shares at a rate of 100 ordinary shares for every £161 in nominal value of this stock.

21. Subsidiary Companies

As at 14th January, 1986, the following subsidiaries, all of which are wholly-owned, are owned directly or indirectly by the Company:

Name (and registered office)	Country and Date of Incorporation	Issued Share Capital	Principal Activity
(a) Principal Subsidiary Companies:			
Wickes Building Supplies Limited (2 Elmgrove Road, Harrow, Middlesex)	England 10th May, 1948	£150,000	Retailer
Wickes Properties Limited (14 Berners Street, London W1)	England 28th January, 1978	£12	Property investment
Wickes BV (Carthesiusweg 23, Utrecht)	Holland 24th December, 1968	Dfl.8,754,000	Retailer
Wickes NV (Kerklaan, Machelen)	Belgium 20th July, 1972	BF.87,850,000	Retailer
Wickes Hire Limited (14 Berners Street, London W1)	England 1st February, 1985	£100,000	Tool Hire
Wickes Property & Financial Services Limited (14 Berners Street, London W1)	England 1st July, 1985	£100,000	Financial services
Wickes Vastgoed BV (Carthesiusweg 23, Utrecht)	Holland 20th January, 1978	Dfl.2,000,000	Property investment
Wickes Europe Limited (14 Berners Street, London W1)	England 4th November, 1985	£2	Management services
(b) Other Subsidiary Companies			
Wickes Developments Limited (14 Berners Street, London W1)	England 28th February, 1984	£2	Property development
Wickes UK Holdings Limited (14 Berners Street, London W1)	England 27th December, 1984	£335,012	Investment holding
Wickes Overseas Holdings Limited (14 Berners Street, London W1)	England 4th November, 1985	£3,256,002	Investment holding
Eutraco BV (Carthesiusweg 23, Utrecht)	Holland 14th April, 1978	Dfl.25,000	Finance

The registered office of the following non-trading subsidiaries, all of which are wholly-owned and incorporated in Jersey, is Equity and Law House, La Motte Street, St. Helier, Jersey:

Name	Date of Incorporation	Issued Share Capital
Album Limited	27th January, 1981	£1,590
Bonus Limited	27th January, 1981	£1,030
Campal Limited	4th August, 1981	£1
Crura Limited	4th August, 1981	£3,760
Esula Limited	27th January, 1981	£2,005
Fagus Limited	27th January, 1981	£1,260
Genea Limited	4th August, 1981	£3,626
Lobe Limited	27th January, 1981	£2,380
Minor Limited	27th January, 1981	£1,700
Pome Limited	27th January, 1981	£1,330
Terbium Limited	27th January, 1981	£1,480
Ulmus Limited	27th January, 1981	£1,435
Vera Limited	27th January, 1981	£1,100

22. Company Balance Sheet

The audited balance sheet of the Company at 27th July, 1985 is set out below:—

	£'000
Fixed assets:	
Investments in subsidiaries	3,174
Creditors:	
Amounts due to holding and subsidiary companies	(174)
Net assets	3,000
Share capital	3,000

23. Audit Reports of Subsidiary Companies

In 1981 the opinions of the auditors of two subsidiaries were qualified for the following reasons:

(a) Wickes NV
The lack of information concerning the collectibility of a balance receivable from an affiliated company of £78,820 for which no provision had been made.
This amount was collected in full in 1982.

(b) Wickes Building Supplies Limited
The ultimate holding company, Wickes Companies, Inc., and certain of its subsidiaries filed petitions for reorganisation under Chapter 11 of the United States Federal Bankruptcy Code. The accounts were prepared on the basis that the Chapter 11 proceedings would not have any significant effect on the position of the company.
WIC and all its subsidiaries, including all the companies in the Group, were excluded from the Chapter 11 filings. In 1982 and subsequent years, the accounts of Wickes Building Supplies Limited were not qualified in this respect.
In January, 1985, the ultimate holding company and its subsidiaries emerged from Chapter 11.

Yours faithfully

Arthur Andersen & Co.

Part IV
STATUTORY AND GENERAL INFORMATION

1. Incorporation and Share Capital

(a) The Company, which has its registered office and principal place of business at 14 Berners Street, London W1P 3DE, was incorporated in England on 12th July, 1983 under the Companies Acts 1948 to 1981 as a private company limited by shares with the number 1738919 and with the name Precis (181) Limited. The authorised share capital of the Company on incorporation was £100 divided into 100 ordinary shares of £1 each of which two were issued fully paid for cash at par. On 4th October, 1983, the Company changed its name to Wickes Limited and, on 29th November, 1985, the Company was re-registered as a public company under the Companies Act 1985 with the name Wickes plc. On 14th January, 1984 the authorised share capital of the Company was £10,000,000 divided into 10,000,000 ordinary shares of £1 each of which 3,000,002 were in issue and fully paid.

(b) The Wickes Group was constituted by a reorganisation completed in January, 1986 ("the Reorganisation") whereby the Company became the holding company for all the companies which now constitute the Wickes Group. Since 14th January, 1984, there has been the following increase in the authorised share capital of the Company and there have been the following issues of shares and loan capital by the Company and its subsidiaries:—

(i) on 1st February, 1985, Wickes Hire Limited issued two ordinary shares of £1 each at par to the subscribers. On 17th June, 1985, it increased its authorised share capital from £100 to £100,000, issued 14,998 ordinary shares of £1 each for cash at par to Mr. J. A. Courtney, one of its directors, and issued 85,000 ordinary shares of £1 each for cash at par to the Company;

(ii) on 5th December, 1985, Wickes UK Holdings Limited purchased the minority shareholding of 15,000 ordinary shares of £1 each in Wickes Hire Limited for the sum of £15,000 from Mr. J. A. Courtney, so that Wickes Hire Limited became a wholly owned subsidiary of the Company;

(iii) on 3rd January, 1986, Wickes BV issued £3,371,980 7½ per cent. Convertible Unsecured Loan Stock 1996 to WIC for cash. WIC sold this Convertible Unsecured Loan Stock for cash at par to Wickes Overseas Holdings Limited (a company then wholly owned by WIC);

(iv) on 5th January, 1986, Wickes Overseas Holdings Limited purchased the entire issued share capitals of Wickes BV and Wickes NV in consideration for the issue of 3,163,365 ordinary shares of £1 each to WIC;

(v) on 5th January, 1986, an extraordinary general meeting was held at which a resolution was passed increasing the authorised share capital of the Company from £10,000,000 to £20,000,000 by the creation of a further 10,000,000 ordinary shares of £1 each; and

(vi) on 5th January, 1986, the Company acquired the whole of the issued share capital of Wickes Overseas Holdings Limited in consideration for the issue of 8,219,998 ordinary shares of £1 each of the Company to WIC.

(c) On 12th January, 1986, the authorised share capital of the Company was £20,000,000 divided into 20,000,000 shares of £1 each, of which 11,220,000 ordinary shares of £1 were in issue and fully paid, all such shares being beneficially owned by WIC.

(d) At an extraordinary general meeting of the Company held on 13th January, 1986, resolutions were passed:—

(i) consolidating every two of the Company's ordinary shares of £1 each, both issued and unissued, into one ordinary share of £2 and sub-dividing each such ordinary share of £2 into five ordinary shares of 40p each ("ordinary shares");

(ii) adopting new Articles of Association;

(iii) unconditionally authorising the directors for the purposes of Section 80 of the Companies Act 1985, such authority expiring on 12th January, 1991, to allot (a) 4,950,000 ordinary shares pursuant to the offer for sale, (b) £3,000,000 nominal 7½ per cent. Convertible Unsecured Loan Stock 1996 (on full conversion of which 1,863,354 ordinary shares would be issued) and (c) up to a further 11,000,000 ordinary shares; and

(iv) authorising the directors for the purposes of Section 95 of the Companies Act 1985, such authority expiring on the date of the Annual General Meeting of the Company to be held in 1986 to issue equity securities for cash otherwise than in accordance with Section 89(1) of the said Act but limited to (a) 4,950,000 ordinary shares pursuant to the offer for sale (b) up to a further 2,200,000 ordinary shares and (c) where it is in the opinion of the directors necessary or expedient so to do in connection with a rights issue for the purpose of dealing with fractional entitlements otherwise arising, or legal or practical problems under the laws of any territory or the requirements of any regulatory body in any territory.

(e) On 14th January, 1986, 4,950,000 ordinary shares were conditionally allotted nil paid to Rowe & Pitman for subscription pursuant to the offer for sale agreement referred to in paragraph 6 below, conditionally upon the Council of The Stock Exchange granting permission to deal in the ordinary share capital of the Company in the Unlisted Securities Market and such permission becoming effective on or before 5th February, 1986.

(f) Save as disclosed above and in paragraphs 4, 6 and 7 below—

(i) no share or loan capital of the Company or of any of its subsidiaries has within two years before the date of this document been issued or been agreed to be issued or is now proposed to be issued fully or partly paid, either for cash or for a consideration other than cash (other than intra-group issues by wholly owned subsidiaries);

(ii) no commissions, discounts, brokerage or other special terms have been granted within the two years immediately preceding the publication of this document in connection with the issue or sale of any capital of the Company or any of its subsidiaries;

(iii) no share or loan capital of the Company or of any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option;

(iv) no material issue of ordinary shares of the Company (other than to shareholders *pro rata* to their existing shareholdings or in accordance with the terms of the 7½ per cent. Convertible Unsecured Loan Stock 1996 referred to in paragraph 7 below) will be made within one year of the date of this document without prior approval by the Company in general meeting and, in any event, no issue of ordinary shares will be made which would effectively alter control of the Company without prior approval by shareholders in general meeting; and

(v) following the offer for sale, 17,000,000 ordinary shares will remain unissued of which 3,300,000 are available under the Company's employee share schemes and up to 1,863,354 may be required in respect of the exercise of the conversion rights of the 7½ per cent. Convertible Unsecured Loan Stock 1996 referred to in paragraph 7 below.

2. Articles of Association

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

(a) Rights attaching to the ordinary shares

(i) Voting: subject to disenfranchisement of a member *inter alia* in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership of shares, on a show of hands every member present in person has one vote and on a poll every member present in person or by proxy has one vote for every 40p in nominal amount of which he is the holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote in person or by proxy is accepted to the exclusion of all other joint holders.

(ii) Dividends: the holders of ordinary shares are entitled to the profits of the Company available for dividend and resolved to be distributed provided that no dividend shall be payable except in accordance with the Companies Act 1985. Unless specifically provided otherwise, a share is entitled to a dividend from the date on which the dividend is declared or such other date as may be specified in the resolution declaring the dividend. Any dividend unclaimed twelve years or more after the date of its declaration shall be forfeited and revert to the Company.

(iii) Return of capital: on a winding-up the surplus assets remaining after payment of the liabilities of the Company shall be divided among the members in proportion to the number of ordinary shares held by them.

(b) Transferability of shares

The ordinary shares may be transferred by an instrument of transfer in any usual or common form, or in such other form as the directors may approve. The Articles of Association contain no restriction on the transfer of fully paid shares provided the transfer is duly stamped, lodged at the registered office or such other place as the directors may appoint, accompanied by the relative share certificate and such other evidence of ownership as the directors may require and is in favour of not more than four transferees.

(c) Changes in capital

The Company may by ordinary resolution increase its share capital and, subject to the provisions of the Companies Act 1985, it may by special resolution reduce its share capital.

Subject to the provisions of the Articles and of the Companies Act 1985, the directors may allot, grant options over or otherwise dispose of all unissued shares of the Company to such persons, at such times and on such terms as they think proper. Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such special rights or such restrictions as the Company may determine by ordinary resolution. Subject to the relevant provisions of the Companies Act 1985, the Company may issue redeemable shares and may purchase any of its own shares.

(d) Directors

(i) Subject to an ordinary resolution of the Company, the minimum number of directors is two and the maximum twelve. A director, despite having attained the age of 70, shall be capable of being appointed or re-elected and shall not be required to retire by reason of his having attained that age.

(ii) Any executive director (including the Chairman whether or not such office is held in an executive capacity) or a director who serves on any committee of the directors, or otherwise performs services which, in the opinion of the directors, are outside a director's normal duties, shall be paid such remuneration as the directors may determine. All other directors shall be paid such remuneration as may be determined by the directors not in aggregate exceeding £100,000 per annum. The directors are also entitled to be repaid all reasonable travelling expenses incurred in connection with the business of the Company. The directors may pay or procure the payment of pensions and other benefits to any director or former director or person in respect of them. Except for the position of auditor of the Company, a director may hold any office or employment in the Company in conjunction with his office as a director on such terms as the directors may think fit. A director may act by himself or his firm in a professional capacity for the Company (except as auditor) and may be entitled to remuneration for professional services as if he were not a director.

(iii) A director may not vote or be counted in the quorum at a meeting in relation to any resolution in respect of any contract or arrangement in which he has a material interest other than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director may vote and be counted in the quorum in the following circumstances, namely (a) the giving of security or an indemnity in respect of money lent by the director or obligations incurred by him at the request of or for the benefit of the Company or its subsidiaries; (b) the giving of security or an indemnity to a third party in respect of a debt or obligation of the Company or its subsidiaries for which the director has assumed responsibility in whole or part by giving security or under a guarantee or indemnity; (c) any proposal in which the director is interested as an underwriter or sub-underwriter of an offer of shares or other securities of the Company or its subsidiaries; (d) any proposal concerning any other company in which the director's interest is less than one per cent. of any class of share capital of that company, or any other company through which his interest is derived, or of voting rights available to members of the relevant company; and (e) any proposal concerning the adoption, modification or operation of a superannuation fund or retirements benefits scheme or employee share scheme under which he may benefit and which has been approved or is to be approved by the Inland Revenue for taxation purposes. The Company may by ordinary resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(e) Borrowing powers

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party but they shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries, so far as by such exercise it can secure) that the aggregate amount remaining undischarged of all moneys borrowed by the Company and its subsidiaries for the time being (exclusive of intra-group borrowings) shall not, without the previous sanction of an ordinary resolution of the Company, exceed twice the aggregate of the amount paid up or credited as paid up on the issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves save that the borrowings and reserves of any subsidiary carrying on any of the businesses of banking, lending or finance shall be excluded for the purposes of the calculation of the borrowing limit.

(f) Untraced shareholders

The Company may sell a member's shares, provided that, *inter alia*, during a period of twelve years prior to the date of the publication of the advertisements referred to below, at least three dividends in respect of the shares in question have become payable and all warrants and cheques in respect of such shares have remained uncashed and the Company shall have advertised and have no actual notice of the whereabouts or existence of such a member and provided also that notice shall have been given to the Quotations Department of The Stock Exchange. The net proceeds of sale will belong to the Company but it shall be obliged to account to the former member without interest as a creditor.

3. Directors' and Other Interests

(a) The interests of the directors of the Company in the issued share capital of the Company immediately following the offer for sale (disregarding any ordinary shares which the directors and their families may purchase under the offer for sale) as required to be recorded in the Register of Directors' Interests maintained under the provisions of the Companies Act 1985 will be as follows:—

R. E. T. Clark	100 ordinary shares
M. R. Corner	100 ordinary shares

All these ordinary shares are beneficially owned by WIC and the directors have no beneficial interest therein or in the shares of any of the Company's subsidiaries. Under the terms of his employment with the WCI Group Mr. Sweetbaum will be granted options to purchase 178,571 ordinary shares at the offer for sale price from WIC exercisable during the period 14th January, 1989 to 12th January, 1993. Save as disclosed herein, no director has any interest in the share capital of the Company at the date hereof. The non-executive directors have resolved in accordance with the Executive Schemes described in sub-paragraphs 4(c) and (d) below to grant to the executive directors, Mr. R. E. T. Clark, Mr. M. R. Corner and Mr. A. J. Mills-Baker, options to subscribe respectively for 142,857, 57,142 and 57,142 ordinary shares at the offer for sale price. The directors also intend to make offers pursuant to the Sharesave Scheme described in sub-paragraph 4(b) below to employees, including directors. Subject to any applicable regulatory requirements, all directors may apply for ordinary shares under the offer for sale on the preferential application forms being made available to Wickes Group employees.

(b) Following the offer for sale, WIC will beneficially own 28,050,000 ordinary shares, representing 85 per cent. of the ordinary shares then in issue.

On full conversion of the 7½ per cent. Convertible Unsecured Loan Stock 1996, details of which are set out in paragraph 7 below, Investors in Industry plc would be interested in 1,863,354 ordinary shares, representing 5.3 per cent. of the Company's issued share capital following the offer for sale and as enlarged by that conversion.

The directors are not aware of any other person who, directly or indirectly, is or will, following the offer for sale, be interested in five per cent. or more of the Company's issued share capital. At 30th November, 1985, WCI had been notified by The Equitable Life Assurance Society that it was interested in 10.6 per cent. of WCI's common stock.

(c) Mr. H. A. Sweetbaum is a director and the controlling shareholder of Statesman Travel Limited which provides travel services to the Wickes Group on an arms-length basis.

Save as disclosed herein, no director has any material interest in any contract or arrangement which is significant in relation to the business of the Company and its subsidiaries taken as a whole and, since 14th January, 1984, no director has had any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to the Company or any of its subsidiaries, or are proposed to be acquired, disposed of by or leased to the Company or any of its subsidiaries.

(d) There are no loans outstanding by any member of the Wickes Group to any of the directors.

(e) The aggregate of the remuneration paid (including discretionary bonus) and benefits in kind (including pension contributions) granted to the directors by the Wickes Group during the last completed financial year was £198,000. It is estimated that the aggregate of the amounts payable to the directors by the Wickes Group in the current financial year under the arrangements in force at the date of this document will not be more than £250,000.

(f) Huntingdon Securities Limited, a company wholly owned by Mr. H. A. Sweetbaum has entered into a novation agreement dated 13th January, 1986 with the Company to provide his services to the Wickes Group for a rolling three-year term ending not earlier than 18th October, 1989. Under this agreement, Mr. Sweetbaum will devote such time and attention to the affairs of the Wickes Group as the board considers necessary to fulfill his duties. The Company will pay $37,000 per annum for Mr. Sweetbaum's services.

Under an agreement entered into on 13th January, 1986 between the Company and Mr. R. E. T. Clark, Mr. Clark is employed as a Deputy Managing Director of the Company and as Chairman of Wickes Building Supplies Limited for a rolling three year term. Mr. Clark is entitled to a salary of £60,000 and a discretionary bonus related to the performance of the Wickes Group.

Save as disclosed above, there are no service contracts, existing or proposed, between any director of the Company and the Company or any of its subsidiaries which are not determinable by the employing company without payment of compensation (other than statutory compensation) within one year.

4. Employee Share Schemes

(a) General

(i) The Company has adopted five employee share option schemes. The first of these, the Wickes Group Sharesave Scheme ("the Sharesave Scheme"), is open to all United Kingdom employees of the Wickes Group with one year's service with the Wickes Group. Two others are intended for key executives—the Wickes Group UK Executive Share Option Scheme ("the UK Executive Scheme") and the Wickes Group Overseas Executive Share Option Scheme ("the Overseas Executive Scheme") (together the "Executive Schemes"). The last two—the Wickes Group Netherlands Share Option Scheme and the Wickes NV (Belgium) Share Option Scheme are variants for use by subsidiaries in the relevant countries; although they are discretionary schemes, it is intended to utilise them in part to extend to employees in Belgium and the Netherlands arrangements as nearly as may be comparable with the Sharesave Scheme. The Sharesave Scheme and the UK Executive Scheme have been approved by the Inland Revenue under the appropriate statutory provisions.

(ii) The schemes are subject to the following limits on the number of ordinary shares which may be acquired thereunder:—

(a) not more than 3,300,000 ordinary shares (representing ten per cent. of the issued ordinary share capital of the Company immediately following the offer for sale) may be issued pursuant to options granted under the Sharesave Scheme or under comparable arrangements for employees in Belgium and the Netherlands;

(b) not more than 1,650,000 ordinary shares (representing five per cent. of the issued ordinary share capital of the Company immediately following the offer for sale) may be issued pursuant to options granted under any or all of the other schemes (excluding the arrangements for employees in Belgium and the Netherlands referred to in (a) above), and

(c) in any ten-year period, not more than ten per cent. of the issued share capital may in aggregate be issued pursuant to options granted under all five schemes.

(iii) The directors will operate the schemes to ensure that options are available for grant throughout the duration of ten years from the date of the offer for sale. Although not part of the rules of the schemes, the Company will have regard to the guidelines of institutional investors in force from time to time; in the three-year period commencing on 14th January, 1986, not more than five per cent. of the ordinary share capital of the Company in issue immediately following the offer for sale will in aggregate be placed under options pursuant to all five schemes. The limits stated in (a) and (b) above, but not the percentages stated in (a), (b) and (c) above, may be adjusted in the event of any capitalisation or rights issue or in the event of any consolidation, sub-division or reduction of the Company's share capital, subject to the Company's auditors confirming in writing that any adjustment made is in their opinion fair and reasonable.

(iv) It is intended, immediately following the offer for sale, to offer options under the Sharesave Scheme over up to 300,000 ordinary shares and to grant options under the other schemes over some 1,100,000 ordinary shares, and that the option price applicable to these initial grants and offers will be the offer for sale price.

(b) The Sharesave Scheme

(i) To join this scheme an employee must enter into a Save-as-you-Earn Contract, thereby agreeing to make 60 monthly contributions of his choice (or a fortnightly equivalent), with a minimum monthly amount of £10 and a maximum of £100.

(ii) Each employee so joining will be granted an option to subscribe for ordinary shares in the Company at a price determined by the directors being not less than the higher of (a) 90 per cent. of their market value as agreed with the Shares Valuation Division of the Inland Revenue and (b) their nominal amount. Such option will become exercisable after five years; it will comprise, on the basis of the aggregate subscription price, the integral number of such ordinary shares nearest to but not exceeding the amount of 74 monthly contributions.

(iii) Other than in the first year of operation of the scheme, or in circumstances considered by the directors to be exceptional, options shall only be granted within the 42 days following the preliminary announcement of the Company's final or interim results in respect of any financial period.

(iv) Options will normally only be exercisable for a period of six months commencing on the fifth anniversary of the inception of the related SAYE contract. Options may, however, be exercised earlier than this in the event of death, retirement by reason of injury, disability or redundancy, or at normal retirement age (or, on early retirement after three years), or on attainment of statutory pensionable age, or if the Company is the object of a successful take-over or is placed in voluntary liquidation. In these circumstances, however, options may only be exercised in an amount not exceeding such part of the proceeds of an option holder's SAYE contract as represents repayment of the related contributions together with any bonus or interest paid. Options are not transferable and will lapse if any option holder leaves the service of the Wickes Group other than in the prescribed special circumstances mentioned above.

(v) As soon as practicable after the exercise of an option, the appropriate ordinary shares will be allotted and issued to the option holder concerned, whereupon they will rank *pari passu* with the ordinary shares then in issue. The Company will make application to the Council of The Stock Exchange for such shares to be admitted to the securities market in which the ordinary shares then in issue are dealt. It is emphasised that no application will be made for the ordinary shares arising on the exercise of options to be admitted to the Official List of The Stock Exchange unless the ordinary shares then in issue are so listed.

(vi) Certain provisions of the Sharesave Scheme may be amended by the directors, but the basic structure (and in particular the determination of the subscription price under any option, the rights attaching to ordinary shares issued upon the exercise of options, the periods within which options may be exercised, the limitations on the number of ordinary shares over which options may be granted, the rights of option holders on the take-over or winding up of the Company and the amendments requiring the approval of the Company in general meeting) cannot be altered to the advantage of actual or prospective option holders without the prior approval of the Company in general meeting.

(c) The UK Executive Scheme

(i) This will enable senior executives (including executive directors) of the Wickes Group who are required to devote at least 25 hours a week to their employment to be granted options to subscribe for ordinary shares in the Company. It will be operated by a committee of the board, a majority of whom are non-executive directors or directors who have signified their intention not to participate in either of the Executive Schemes.

(ii) Other than in the first year of operation of the scheme, or in circumstances considered by the committee to be exceptional, options shall only be granted within the 42 days following the preliminary announcement of the Company's final or interim results in respect of any financial period.

(iii) Any such option will entitle its holder to subscribe for ordinary shares at the higher of their market value as agreed with the Shares Valuation Division of the Inland Revenue and their nominal amount. Option holders will make their own arrangements to finance the subscription of shares on the exercise of their options.

(iv) No participant may subscribe for ordinary shares issued pursuant to options granted under this scheme and the schemes described below worth in aggregate, at their subscription price, in excess of the higher of (i) four times his PAYE earnings for the current or preceding year (whichever is the greater) and (ii) £100,000. No option may be granted within two years preceding an employee's normal retirement date.

(v) Options may not be transferred and may not normally be exercised before the third anniversary of their grant. If an option holder dies, his legal personal representatives may exercise his options within twelve months of his death. In the event of an option holder ceasing to be an employee of the Wickes Group in certain circumstances, such as retirement, disability or redundancy, or if his employing company leaves the Wickes Group, he shall be entitled to exercise any options within the period of six months from the later of (a) his cessation of employment and (b) the third anniversary of the date of grant. If he so ceases in any other circumstances, any such exercise shall be at the discretion of the committee operating the Executive Schemes. Options may also be exercised before the third anniversary of their grant if the Company is the object of a successful take-over or is placed in voluntary liquidation. Options may not be exercised more than ten years after the date of grant, except by the legal personal representatives of an option holder who dies prior to the end of the ten-year period.

(vi) As soon as practicable after the exercise of an option, the appropriate ordinary shares will be issued to the option holder concerned, whereupon they will rank *pari passu* in all respects with the ordinary shares then in issue. The Company will make application to the Council of The Stock Exchange for such shares to be admitted to the securities market in which the ordinary shares then in issue are dealt. It is emphasised that no application will be made for the ordinary shares arising on the exercise of options to be admitted to the Official List of The Stock Exchange unless the ordinary shares then in issue are so listed.

(vii) Certain provisions of the UK Executive Scheme may be amended by the directors, but the basic structure (and in particular the determination of the subscription price under any option, the rights attaching to shares issued upon the exercise of options, the periods within which options may be exercised, the limitations both on participation and on the number of ordinary shares over which options may be granted, the rights of option holders on the take-over or winding up of the Company and the amendments requiring the approval of the Company in general meeting) cannot be altered to the advantage of participants without the prior approval of the Company in general meeting.

(d) The Overseas Executive Scheme
Except as described below, the provisions of the scheme correspond with those of the UK Executive Scheme —
(i) any senior executive who is employed either by the Wickes Group or by a company owned by that executive or his family and whose services are provided to the Wickes Group may participate in this scheme;
(ii) the option price will be the market value of an ordinary share determined by the committee of the board normally by reference to the Daily Official List of The Stock Exchange on the three business days prior to the date on which the option is granted; and
(iii) no participant may subscribe for ordinary shares issued pursuant to options granted under this scheme, the UK Executive Scheme and the schemes described below worth in aggregate at their subscription price in excess of four times his annual remuneration.

(e) The Wickes Group Netherlands Share Option Scheme
Except as described below the provisions of this scheme correspond with those of the Overseas Executive Scheme:—
(i) options may only be granted to employees of the Wickes Group;
(ii) an employee may be required to pay for the grant of an option a sum not exceeding 1½ per cent. of the subscription price of all the ordinary shares comprised in that option;
(iii) options granted under this scheme are capable of immediate exercise but, if a participant then leaves the service of the Wickes Group within the period of three years after the date of grant for any reason other than those described at paragraph (c)(v) above, he must, subject to certain mitigating provisions, pay to the Company the amount of his profit on such exercise reduced (but only if the directors of the Company so determine and then only if the option holder was not dismissed for misconduct, impropriety or inefficiency) on a time-apportioned basis; and
(iv) an option granted under this scheme may not be exercised more than five years after the date of its grant

(f) The Wickes NV (Belgium) Share Option Scheme
Except as described below the provisions of this scheme correspond with those of the Overseas Executive Scheme:—
(i) options may only be granted to employees of the Wickes Group who have one year's service with the Wickes Group;
(ii) an option holder will only qualify for favourable Belgian tax treatment if, *inter alia*, the value of such options exercised in any calendar year does not exceed the lesser of 25 per cent. of his current annual remuneration and BF. 500,000;
(iii) ordinary shares acquired pursuant to the exercise of such options must be deposited with the Belgian National Bank for a period of two years during which they may not be transferred;
(iv) options may not be granted under this scheme later than 31st December, 1990; and
(v) an option may not be exercised more than six years after the date of its grant and may only be exercised at a time when the option holder remains an employee of the Wickes Group.

5. Taxation
(a) The Company is not required to withhold tax at source but, when paying a dividend, the Company has to remit to the Inland Revenue an amount of Advance Corporation Tax ("ACT") at a rate which is related to the basic rate of income tax and is currently three-sevenths of the dividend paid. Accordingly, the ACT related to a dividend currently equals 30 per cent. of the sum of the cash dividend plus the ACT.
For individual shareholders resident in the United Kingdom, the ACT paid is available as a tax credit, which individual shareholders who are so resident may set off against their total income tax liability or, in appropriate cases, reclaim in cash. A United Kingdom resident corporate shareholder will not normally be liable to United Kingdom corporation tax on any dividend received.
Whether holders of ordinary shares who are resident in countries other than the United Kingdom are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax agreement which exists between such countries and the United Kingdom. Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions, the procedure for claiming payment and what relief or credit may be claimed in the jurisdiction in which they are resident for such tax credit.
(b) The directors have been advised that the Company is not, and will not following completion of the offer for sale, be a close company within the meaning of the Income and Corporation Taxes Act 1970.

6. Offer for Sale Arrangements

By an agreement ("the offer for sale agreement") entered into on 14th January, 1986, between the Company, the directors, WCI and Rowe & Pitman, Rowe & Pitman have agreed, conditionally on the Council of The Stock Exchange granting permission on or before 5th February, 1986 to deal in the ordinary shares in the Unlisted Securities Market and such permission becoming effective on or before such date, to subscribe or procure subscribers for a total of 4,950,000 ordinary shares at 140p per share and to offer the same for sale to the public at the same price.

The offer for sale agreement provides for the Company to pay all the expenses of and incidental to obtaining permission to deal in the ordinary shares in the Unlisted Securities Market (including capital duty on the ordinary shares being subscribed, the cost of printing, advertising and distributing this document and all accountancy and legal expenses), a fee to Rowe & Pitman and underwriting commissions of 1¾ per cent. on the total subscription price for the ordinary shares subscribed, together with value added tax, where appropriate.

The directors and WCI have given certain general warranties and indemnities to Rowe & Pitman and WCI has given an indemnity to the Company and Rowe & Pitman regarding taxation. The WCI Group has undertaken not to sell any of the ordinary shares retained by it following the offer for sale before 31st January, 1987 and not to sell any such ordinary shares during the period 1st February, 1987 to 31st January, 1986 without the prior written consent of Rowe & Pitman. In addition, all of the directors have given warranties to Rowe & Pitman concerning the accuracy of the information contained in this document.

7. Arrangements with Investors in Industry plc ("3i")
(a) On 13th January, 1986, the Company and 3i entered into an agreement whereby, conditionally on The Council of The Stock Exchange granting permission on or before 5th February, 1986 to deal in the ordinary shares in the Unlisted Securities Market, 3i agreed to subscribe for £3,000,000 7¾ per cent. Convertible Unsecured Loan Stock 1996 ("the convertible loan stock") for cash at par on 28th February, 1986. The agreement was subject to a subsidiary of the Company accepting a ten-year 12 per cent. fixed rate loan facility from 3i ("the loan") and repaying to 3i the existing floating rate secured loan of £10,250,000 as to part on 31st January, 1986 and as to the balance on 28th February, 1986. On 13th January, 1986 Wickes Properties Limited entered into an agreement for the loan which will be drawn down on 31st January, 1986.
(b) The loan is to provide a £3,000,000 facility at a fixed rate of interest of 12 per cent. to enable the Wickes Group to refinance a proportion of the existing variable rate borrowings with 3i. The loan is to be secured by first fixed charges over certain properties and over the leasehold interests of Wickes Building Supplies Limited in the properties together with an assignment in favour of 3i of the rental income recoverable under those leases. The loan shall be repaid in full on the anniversary of drawdown in 1996 and may not be prepaid. Interest shall be payable quarterly in arrears. The loan documentation contains normal covenants.
(c) The convertible loan stock is constituted by an instrument dated 13th January, 1986 and is denominated in sterling, is registered and is not transferable other than between 3i and companies within the 3i group. The convertible loan stock is a direct, unconditional, unsecured obligation of the Company and, except for obligations in respect of national and local taxes and for certain other statutory exceptions, will rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.
The convertible loan stock will bear interest from 28th February, 1986, or from the date of issue, if later, calculated on a 365 day year basis at the rate of 7¾ per cent. per annum, payable quarterly in arrears on 24th April, 24th July, 24th October and 24th January in each year. The convertible loan stock will cease to bear interest from the due date for redemption thereof unless payment of principal is improperly withheld or refused.
The conversion rights shall be exercisable during the six week period following the date of despatch of each of the Company's annual report and accounts and its interim results; the first conversion may occur following despatch of the annual report and accounts for the year to 31st January, 1988. The convertible loan stock may be converted in whole or in part in multiples of £500,000 nominal amount of convertible loan stock at the option of the holder thereof on the basis of one ordinary share for every £1.61 nominal of convertible loan stock.
So long as any convertible loan stock is or may be capable of being converted, if the Company shall subdivide or consolidate the outstanding ordinary shares, the conversion rights shall be adjusted proportionately. Upon any issue of fully paid ordinary shares pursuant to a capitalisation of profits or reserves to any holder of ordinary shares on the register on a date whilst any convertible loan stock is or may be capable of being converted, the conversion price in respect of convertible loan stock converted following the record date for such issue shall be reduced appropriately. If a general offer is made for the ordinary shares of the Company, the conversion rights may be exercised during the period such an offer remains open for acceptance. If the Company should make a general invitation to shareholders to subscribe for or to purchase shares or other securities whether by way of rights or otherwise, the Company shall make a similar offer to the holder as if the conversion rights had already been exercised in full.
The Company shall use its best endeavours to ensure that all the ordinary share capital arising from conversion will upon allotment be admitted to the securities market in which the ordinary shares then in issue are dealt. The Company shall keep available for issue sufficient ordinary share capital to satisfy in full all rights of conversion for the time being outstanding.
If not previously converted, the convertible loan stock will be redeemed at par at the expiration of the first conversion period falling in 1996. It may be redeemed prior to this date at the option of the Company if the middle market price of the ordinary shares, as derived from The Stock Exchange Daily Official List, exceeds 200 per cent. of the conversion price for a period of ten consecutive business days prior to the giving of notice of redemption by the Company (which must be within two business days after such period), unless the holder exercises its conversion rights within a period of thirty business days following such notice of redemption.
The following covenants are applicable so long as any part of the convertible loan stock remains outstanding, except with the written consent of 3i:—
(i) the Company will procure that the aggregate principal amount of borrowings by the Wickes Group shall not exceed one and one half the aggregate amount of the paid up share capital and the amount standing to the credit of the capital and revenue reserves of the Company;
(ii) the Wickes Group will not create any mortgage, debenture or other charge over any property in the United Kingdom other than fixed charges over specific properties;
(iii) the Company will procure that the aggregate amount of the paid up share capital and the amount standing to the credit of the capital and the revenue reserves of the Company will not be less than £15,000,000.
(iv) the Company shall not dispose of any shares in *Wickes Building Supplies Limited*.
The following covenants are applicable to the Company so long as any of the conversion rights remain exercisable:—
(i) it will not issue any securities by way of capitalisation of profits or reserves other than fully paid ordinary shares to the ordinary shareholders;
(ii) it will not reduce its ordinary share capital or (except as authorised by Sections 130 or 170 of the Companies Act 1985) its share premium account or any capital redemption reserve fund, and
(iii) it will not grant or agree to grant any option in respect of, or right of conversion into, any ordinary shares of the Company except options granted pursuant to any scheme approved by the Company in general meeting to the employees of the Wickes Group in respect of ordinary shares, the nominal amount of which together with the aggregate nominal amount of any ordinary shares over which options have already been granted does not exceed ten per cent. of the nominal amount of the ordinary shares of the Company in issue immediately prior to such grant.

8. Litigation

Wickes Building Supplies Limited, Wickes NV and Wickes BV have received claims in arbitration from a former supplier of timber. On the basis of the facts disclosed to them, the Company's legal advisers have advised the directors that the Wickes Group has defences to such claims and counter-claims. Accordingly, no material liability is expected to be incurred by the Wickes Group.
Save as disclosed above, there are no claims of material importance, pending or threatened, against the Company or any of its subsidiaries.

9. Trade Marks and the Name
By an agreement dated 13th January, 1986, the WCI Group and the Company have agreed that, in consideration of the steps the Company has taken to cause the commencement of dealings in its ordinary shares in the Unlisted Securities Market of The Stock Exchange, WCI would grant the Company the right to use, in Europe, the name "Wickes" and the trade marks and logos associated therewith and owned by WCI, without charge, for a minimum period of three years and thereafter, the Company may continue to trade under the "Wickes" name for a period of not less than two years after the date on which the WCI Group ceases to hold any ordinary shares in the Company. The WCI Group has agreed not to carry on any business in Europe during the period of this agreement in competition with the business of the Wickes Group as presently carried on.

10. Material contracts
The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and/or its subsidiaries within the two years immediately preceding the date of this document and are, or may be, material:
(a) an agreement dated 17th June, 1985, between the Company, and Mr. J. A. Courtney and Wickes Hire Limited (formerly Marford Limited) relating to the subscriptions at par by the Company of 85,000 ordinary shares of £1 each of Wickes Hire Limited;
(b) an agreement dated 5th December, 1985, between Mr. J. A. Courtney, Wickes UK Holdings Limited (formerly Wickes Investments Limited), Wickes Hire Limited and the Company relating to the purchase of 15 per cent. of the capital of Wickes Hire Limited and referred to in sub-paragraph 1(b)(ii) above;
(c) an agreement dated 5th January, 1986, between Wickes Europe, Inc and Wickes Europe Limited pursuant to which Wickes Europe Limited acquired the business of Wickes Europe, Inc for a cash consideration of £79,347;
(d) an agreement dated 5th January, 1986, between Wickes Overseas Holdings Limited, WIC and Mr. M. R. Corner pursuant to which Wickes Overseas Holdings Limited acquired the entire issued share capital of Wickes BV and Wickes NV referred to in sub-paragraph 1(b)(iv) above;
(e) an agreement dated 5th January, 1986, between WIC and the Company pursuant to which the Company purchased the entire issued share capital of Wickes Overseas Holdings Limited referred to in sub-paragraph 1(b)(vi) above;
(f) an agreement dated 13th January, 1986, between WCI, WIC and the Company relating to the use of the "Wickes" name and certain trade marks and logos referred to in paragraph 9 above;
(g) an agreement dated 13th January, 1986, between the Company and 3i relating to the convertible loan stock referred to in paragraph 7 above;
(h) the facility letter of 13th January, 1986 from 3i addressed to Wickes Properties Limited concerning the loan referred to in paragraph 7 above;
(i) the offer for sale agreement dated 14th January, 1986, between the Company, the directors, WCI and Rowe & Pitman referred to in paragraph 6 above.

11. Registration Documents
Duplicate copies of this document (including the application form) have been delivered to the Registrar of Companies for registration accompanied by copies of all the material contracts referred to in paragraph 10 above, the consents referred to in paragraph 12 below and a copy of the report of Arthur Andersen & Co. incorporating a statement of adjustments.

12. Miscellaneous
(a) Arthur Andersen & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion of their letter and the Accountants' Report and the references thereto and to themselves in the form and context in which they are included.
(b) Hillier Parker have given and have not withdrawn their written consent to the issue of this document with the inclusion therein of references to their valuation and to themselves in the form and context in which they are included.
(c) Rowe & Pitman have given and have not withdrawn their written consent to the issue of this document with the inclusion of their letter and the references to it and to themselves in the form and context in which they are included.
(d) The total costs and expenses payable by the Company in connection with the offer for sale (including capital duty of £0.07 million) are estimated to amount to £0.6 million (exclusive of value added tax).
(e) The directors are of the opinion that the Wickes Group has sufficient working capital for its present requirements after taking into account the Wickes Group's existing loan and bank facilities and the net proceeds of the offer for sale.
(f) There has been no adverse change in the Wickes Group's trading or financial position since 27th July, 1985.
(g) The directors are of the opinion that the minimum amount to be raised for the purposes of paragraph 2(a) of Schedule 3 to the Companies Act 1985 is £6.9 million, which will be used to defray the expenses of the issue and to provide working capital.
(h) The directors are of the opinion that the Wickes Group carries reasonable insurance cover for all major risks which it faces and which would be expected to be the subject of insurance cover.
(i) The financial information relating to the Wickes Group, set out in the Accountants' Report and otherwise in this document, does not comprise full group accounts as referred to in Section 254 of the Companies Act 1985. Full audited accounts of the Company have been delivered to the Registrar of Companies in respect of all periods since incorporation to 26th January, 1985. Full audited accounts of all subsidiaries of the Company incorporated in England and Wales have been delivered to the Registrar of Companies in respect of the five years (or since incorporation if shorter) ended 26th January, 1985. The auditors reported on all such accounts and their reports were unqualified, save, as disclosed in the Accountants' Report. Such qualifications are considered to be no longer relevant. Full accounts in respect of the six months ended 27th July, 1985 have not been prepared.
(j) The directors are not aware of the intention of any shareholder to waive its entitlement to any dividends which may be hereafter declared, made or paid.
(k) In connection with the sale of Wickes GmbH by WIC to Asko Deutsche Kaufhaus AG in February, 1985, WIC has agreed to indemnify (i) Wickes Vastgoed BV against any liability which it may incur by reason of its obligation to transfer certain property rights associated with land in Mannheim, West Germany and (ii) Wickes BV against any claims arising out of guarantees given by it to landlords of properties leased to Wickes GmbH.
(l) Even if the subscription is not taken up in full, the amount of the capital of the Company subscribed thereunder may be allotted in any event.

13. Documents available for Inspection
Copies of the following documents may be inspected at the offices of S J Berwin & Co, Capital House, 42 Weston Street, London SE1 during usual business hours on any weekdays (Saturdays and public holidays excepted) until 30th January, 1986:—
(a) the Memorandum and Articles of Association of the Company;
(b) the audited accounts of the Company, Wickes Building Supplies Limited, Wickes BV and Wickes NV for the years ended 28th January, 1984 and 26th January, 1985;
(c) the report of Arthur Andersen & Co., together with their statement setting out the adjustments made in arriving at the figures contained in their report;
(d) the property valuation by Hillier Parker;
(e) the letters from Arthur Andersen & Co. and Rowe & Pitman set out in Part II of this document;
(f) the directors' service contracts referred to in paragraph 3 above;
(g) the rules of the employee share schemes referred to in paragraph 4 above;
(h) the material contracts referred to in paragraph 10 above; and
(i) the written consents referred to in paragraph 12 above.

14th January, 1986

Part V
TERMS AND CONDITIONS OF APPLICATION

1. Acceptance of applications will be conditional upon permission being granted by the Council of The Stock Exchange to deal in the ordinary share capital of the Company, issued and to be issued, in the Unlisted Securities Market, subject only to posting of letters of acceptance, and such permission becoming effective not later than 5th February, 1986. Moneys collected in respect of applications will be returned without interest if such condition is not satisfied and, in the meantime, will be retained by National Westminster Bank PLC in a separate account. If permission is not granted by the Council of The Stock Exchange or if any application is not accepted, or is accepted for fewer ordinary shares than the number applied for, the application moneys or the balance of the amount paid on application (as the case may be) will be returned by cheque through the post, in all cases without interest and at the risk of the applicant(s) concerned.
2. The right is reserved to present cheques and bankers' drafts for payment on receipt by National Westminster Bank PLC and to retain letters of acceptance and surplus application moneys pending clearance of all applicants' cheques.
3. By completing and delivering an application form, you (as the applicant(s)):—
(a) offer to purchase the number of ordinary shares specified in your application form (or such smaller number for which the application is accepted) on the terms of and subject to the conditions set out in the offer for sale document dated 14th January, 1986 (the "offer for sale document") and subject to the Memorandum and Articles of Association of the Company;
(b) authorise National Westminster Bank PLC to send a fully paid letter of acceptance for the number of ordinary shares for which your application is accepted and a crossed cheque for any money returnable by post, at the risk of the person(s) entitled thereto, to your address (or that of the first-named applicant) as set out in your application form and to procure that your name (together with the name(s) of any other joint applicant(s)) is/are placed on the register of members of the Company in respect of such ordinary shares the entitlement to which has not been effectively renounced;
(c) agree that, in consideration of Rowe & Pitman agreeing that it will not, prior to 5th February, 1986, sell any of the ordinary shares the subject of the offer for sale to any person other than by means of the procedures referred to in the offer for sale document, your application cannot be revoked until after 5th February, 1986 and that this paragraph shall constitute a collateral contract between you and Rowe & Pitman which will become binding upon despatch by post to or, in respect of applications delivered by hand, receipt by National Westminster Bank PLC, New Issues Department, of your application;
(d) agree that due completion and delivery of an application form shall constitute a warranty that your remittance will be honoured on first presentation;
(e) agree that any letter of acceptance and any money returnable may be retained by National Westminster Bank PLC pending clearance of your remittance;
(f) agree that all applications, acceptances of applications and contracts resulting therefrom under the offer for sale shall be governed by and construed in accordance with English law;
(g) warrant that, if you sign an application form on behalf of somebody else, you have due authority to do so;
(h) confirm that in making your application, you are not relying on any information or representation in relation to the Company or its subsidiaries other than such as may be contained in the offer for sale document and you accordingly agree that no person responsible solely or jointly for the offer for sale document or any part thereof shall have any liability for any such other information or representations; and
(i) agree that, in respect of those ordinary shares for which your application has been received and is not rejected, notification to The Stock Exchange of the basis of allocation shall constitute acceptance of your application on that basis.
4. The basis of allocation will be determined by Rowe & Pitman, in consultation with the Company, in their absolute discretion. The right is reserved to reject in whole or in part, or to scale down, any application and, in particular, multiple or suspected multiple applications.
5. Up to ten per cent. of the ordinary shares being offered for sale are reserved in the first instance for applications at the offer for sale price from employees of the Company and its subsidiaries. Such applications must be made on the preferential application forms which are being made available to such personnel. The basis of allocation of ordinary shares to applicants applying on such forms will be determined by Rowe & Pitman in conjunction with the Company.
6. Photostat copies of application forms will not be accepted.
7. No person receiving a copy of the offer for sale document or an application form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such form, unless in the relevant territory such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application thereunder to satisfy himself as to observance of the laws of any relevant territory, including obtaining any governmental or other consents which may be required and observing any other formalities in such territory.
8. The ordinary shares have not been registered under the Securities Act of 1933, as amended, of the United States of America ("the Act") and may not be directly or indirectly offered or sold in the United States, its territories or possessions or to or for the benefit of a United States national or resident thereof, unless such securities are so registered or except in a transaction which is exempt under the Act.

BASIS OF ACCEPTANCE AND DEALING ARRANGEMENTS

The application list will open at 10 a.m. on Wednesday, 22nd January, 1986 and may be closed at any time thereafter. The basis on which applications have been accepted will be announced as soon as possible after the application list closes. It is expected that letters of acceptance will be posted to successful applicants on Tuesday, 28th January, 1986 and that dealings in the ordinary shares will commence on Wednesday, 29th January, 1986.
The ordinary shares now being offered for sale will be registered, free of stamp duty and registration fees, in the name(s) of purchaser(s) or persons in whose favour letters of acceptance are duly renounced provided that, in cases of renunciation, letters of acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration by 7th March, 1986. Share certificates will be despatched on 4th April, 1986.

AVAILABILITY OF OFFER FOR SALE DOCUMENTS

Copies of the offer for sale document including an application form may be obtained from:-

Rowe & Pitman
1 Finsbury Avenue
London EC2M 2PA

National Westminster Bank PLC
New Issues Department
PO Box No 79
2 Princes Street
London EC2P 2BD

and at the head office of the Company

Wickes plc
14 Berners Street
London W1P 3DE

and at the Wickes store at

Moss Lane
Whitefield
Manchester
M25 6FL

PROCEDURE FOR APPLICATION

The following notes should be read in conjunction with the application form.

1. Insert in box 1 (in figures) the number of ordinary shares for which you are applying. Applications must be for a minimum of 200 ordinary shares or in one of the following multiples:
for more than 200 ordinary shares, but not more than 1,000 ordinary shares, in a multiple of 100 ordinary shares
for more than 1,000 ordinary shares, but not more than 5,000 ordinary shares, in a multiple of 500 ordinary shares
for more than 5,000 ordinary shares, but not more than 20,000 ordinary shares, in a multiple of 1,000 ordinary shares
for more than 20,000 ordinary shares, but not more than 50,000 ordinary shares, in a multiple of 5,000 ordinary shares
for more than 50,000 ordinary shares, in a multiple of 10,000 ordinary shares.
2. Put in box 2 (in figures) the amount of your payment, which should be the number of ordinary shares inserted in box 1 multiplied by 140p.
3. Sign and date the application form in box 3.
The application form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised to do so, but the power(s) of attorney must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated.
4. Put your full name and address in BLOCK CAPITALS in box 4.
5. You must pin to this completed application form at box 5 a separate cheque or bankers' draft for the full amount payable. Your cheque or bankers' draft must be made payable to "National Westminster Bank PLC" for the amount payable on application and should be crossed "Not Negotiable – Wickes".
No receipt will be issued for this payment which must be solely for this application.
Your cheque or bankers' draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and bankers' drafts to be presented for payment through the clearing facilities provided for the members of those Clearing Houses (and must bear the appropriate sorting code number in the top right hand corner).
Applications may be accompanied by a cheque drawn by someone other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the person(s) named in box 4.
6. You may apply jointly with other persons.
If you do so you must then arrange for the application form to be completed by or on behalf of each joint applicant (up to a maximum of three persons, other than the first applicant). Their full names and addresses should be put in BLOCK CAPITALS in box 6.
7. Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should sign in box 3 and complete box 4).
If any individual is signing on behalf of any joint applicant(s), the power(s) of attorney must be enclosed for inspection.
8. You must send the completed application form together with the cheque or bankers' draft by post, or deliver it by hand, to National Westminster Bank PLC, New Issues Department, PO Box No 79, 2 Princes Street, London EC2P 2BD so as to be received not later than 10 a.m. on Wednesday, 22nd January, 1986. If you post your application form, you are recommended to use first class post and allow at least two days for delivery.

APPLICATION FORM

WICKES plc

Offer for Sale by Rowe & Pitman of 4,950,000 ordinary shares of 40p each in Wickes plc at 140p per share, payable in full on application

I/We offer to purchase from Rowe & Pitman ______ **1**

ordinary shares of Wickes plc (or any smaller number of ordinary shares for which this application is accepted) at 140p per share on the terms and subject to the conditions set out in the offer for sale document dated 14th January, 1986

and I/we attach a cheque or bankers' draft for the amount payable, namely £ ______ **2**

Dated ______ January, 1986 Signature ______ **3**

PLEASE USE BLOCK CAPITALS

Mr., Miss or title .... Forename(s) in full ....
Surname
Address in full
....
Postcode **4**

☐ Pin here your cheque/bankers' draft for the amount in box 2 **5**

FOR OFFICIAL USE ONLY
1. Acceptance number
2. Shares allocated
3. Amount received £
4. Amount payable £
5. Amount returned £
6. Cheque number

Fill in this section only where there is more than one applicant. The first or sole applicant should complete box 4 and sign in box 3. Insert below only the names and addresses of the second and subsequent applicants, each of whose signatures is required in box 7. **6**

PLEASE USE BLOCK CAPITALS

Mr., Mrs., Miss or title .... Forename(s) **7**
Surname
Address in full
.... Postcode
Signature

Mr., Mrs., Miss or title .... Forename(s)
Surname
Address in full
.... Postcode
Signature

Mr., Mrs., Miss or title .... Forename(s)
Surname
Address in full
.... Postcode
Signature

UK COMPANY NEWS

Imperial makes scathing attack on Hanson Trust

BY MARTIN DICKSON

Imperial Group, the brewing, tobacco and food company, yesterday launched a scathing attack on the performance of Hanson Trust, which is making a £1.8bn takeover bid for Imperial.

In its formal defence document, Imperial argued that Hanson's growth relied mainly on successive and ever larger acquisitions, which could not continue; that most of Hanson's companies operated in declining industries; that the current trading performance of most Hanson businesses was "pedestrian"; and the future of this "sprawling conglomerate lies in the hands of two managers for whom there are no clear successors."

The broadside was the most robust attack on Hanson ever launched by one of its many takeover targets. However, Hanson replied last night that the document appeared highly selective in its statistics, failed to address its criticism of Imperial's earnings performance and did not show any grounds for placing a higher price on the group.

Imperial urged shareholders to back its rival plans for a merger with United Biscuits which, it argued, had an industrial logic completely lacking in a Hanson takeover.

The document also contained the group's results for the year to October 31 1985 showing pre-tax profits of £235.7m (£220.6m) on turnover of £4.92bn (£4.59bn). The figures were in line with estimates announced by the group last month.

There were £60.9m (£23.1m) of extraordinary charges, of which £22.2m related to the recent sale of Howard Johnson, its troubled US hotels chain. The company declined to break down the remainder, saying merely that part related to tobacco industry reorganisation.

The 1985 figures incorporated a £616m valuation surplus on Imperial's pubs, hotels, restaurants and shops. That increased net assets by 68 per cent to £1.52bn, gave net asset backing of 200p a share and reduced net gearing to 8 per cent.

Hanson's share and loan stock offer is worth some 235p a share, while Imperial's shares closed last night at 258p, up 8p on the day.

Imperial said the Hanson offer grossly undervalued the shares, and would mean an immediate capital loss and dramatic income cut for shareholders.

It produced an analysis of Hanson's performance drawn up in conjunction with LEK, the business consultants, which argued that to maintain its rate of growth through acquisition Hanson would have to take over a £10bn company in 1990. "At some stage," Imperial said, "the music has to stop."

It said its analysis had shown that 77 per cent of Hanson's 1985 operating profits came from declining industries and businesses which had been part of the group throughout the period 1979 to 1984 had produced a growth in operating profits of only 6.9 per cent a year, not even keeping pace with inflation.

Since the start of the year, it added, Hanson's share price had underperformed the All-share index. "Could it be," the document asked, "that the market suspects the days of Hanson's growth are numbered?"

A divisional breakdown of Imperial's 1985 profits and turnover shows respectively: Imperial Tobacco £123.1m (£110.6m) and £2.4bn (£2.47bn) brewing and leisure £97m (£80.8m) and £974m (£904m) Imperial Foods £33m (£31.4m) and £719m (£692m), and Howard Johnson £11.1m (£18.2m) and £617m (£556m).

Earnings per share (excluding extraordinary items) totalled 22.4p (20.3p) after tax, while as previously announced the dividend is 9.6p (8.55p).

See Lex

Eurotherm profit expands 26%

GROWTH HAS continued at Eurotherm International, the electronic equipment manufacturing group. For the year ended October 31 1985 the pre-tax profit has advanced by £1.87m, or 26.1 per cent, to £9m.

The directors summarise the year as being excellent, with operating profit exceeding £10m for the first time, reaching £10.14m, against £7.58m, on sales ahead from £62.28m to £80.96m.

Interest charges, however, shot up from £742,000 to £1.23m, and this burden was aggravated by a drop in interest received from £283,000 to £103,000.

The dividend is lifted from 4p to 4.75p net, with a final of 3.25p. Earnings were 18.7p (15.2p).

A growing volume of business in new ventures will increasingly eliminate losses, the directors claim, and say the company will continue with its investment policy.

Given reasonable market conditions and with a lowering of capital expenditure in comparison with previous years, they look forward with confidence to further growth.

The tax charge for the year came to £3.56m (£2.05m) — UK £1.73m (£1.38m) and overseas £1.83m (£671,000) — and minorities took £136,000 (£15,000). Last time there was an extraordinary debit for deferred tax £378,000.

The strength of the group's performance is emphasised by the fact that it absorbed losses of £2m in start-up companies and experienced a significant weakening of the dollar in the second-half that reduced the contribution from the American subsidiaries.

Temperature control companies have again been the biggest earners, with the UK registering a sharp improvement. France and Germany also achieved record returns.

An encouraging feature, however, has been the performance of TCS in process control and SSD in motor speed control. TCS worldwide has again doubled profits and, as its market share is relatively small, the directors feel the prospects are excellent.

● **comment**

Another year of quiet but solid growth from Eurotherm. The group adopts a low profile and can occasionally fall victim to the negative view taken on the electricals and electronics sector by the market. But as an industrial electronics concern with no exposure to defence or computers and only a very small amount to telecommunications, Eurotherm has grown steadily over the last three years. The corporate plan for 1985-86 appears to be aimed at improving the balance sheet and reducing losses. Capital spending, which was a high £8m in the year being reported, is to be held to £4m or so and start-up costs should be lower. What caution there is concerns the position in the US—especially as far as the temperature control subsidiary is concerned. The temptation to add back in the £2m start-up costs of 1984-85 and then add on some more for growth should apparently be avoided by forecasters. Nonetheless £11½m should easily be achieveable and this suggests a prospective p/e of 12, given a 37 per cent tax charge, on the shares up 5p at 320p. With a profit growth rate twice that of the market average such a rating appears a little ungenerous.

C. & W. Walker acquisition and rights

C. and W. Walker, the engineering contractor and equipment maker, yesterday announced a one-for-two rights issue at 35p a share to raise £2.3m and the acquisition of Multiple, a privately-owned niche engineering company, for an initial £1.75m in shares, with up to a further £750,000 dependent on its profits performance.

The deal will give Multiple's owners, led by Sir Anthony Jolliffe, a former Lord Mayor of London and a partner of accountants Grant Thornton, a substantial stake in the combined group and a considerable say in the running of the company. Sir Anthony said last night that he hoped to help build Walker into a substantial force in niche engineering.

The deal comes a year after a major financial restructuring of Walker, which yesterday forecast pre-tax profits of not less than £175,000 in the year to February 1.

Multiple reported pre-tax profits of £508,000 in the year to June 1984, with a fall to £321,000 last year, partly because of relocation. It has five principal subsidiaries involved in the design, manufacture and distribution of mechanical engineering products.

Mr John Pither, its managing director, will become joint managing director of Walker. Sir Anthony will become a part-time executive director, concentrating on acquisition strategy.

The acquisition terms mean up to 7.14m shares will be issued to Multiple's owners, depending on profits performance, giving them 31 per cent of the enlarged equity.

Development spending cuts Dowty to £18m

THE HIGH level of development spending on new products in the electronics and aerospace divisions was blamed for a 12 per cent fall in pre-tax profits by Dowty Group in the six months to the end of September 1985.

Turnover increased by 11 per cent from £218.66m to £242.59m, but pre-tax profits fell from £20.08m to £17.75m. The market, encouraged by an order book 30 per cent higher than for the comparable period, had been looking for taxable profits of about £22m.

Sir Robert Hunt, chairman, say that normal trading conditions were maintained during the period but profits were eroded by the high level of development spending. He adds, however, that the investment augurs well for the long term.

Orders for aerospace and electronics are at their highest levels and comprise the largest number of start-up production programmes in the company's history.

Sir Robert adds that following established pattern second-half output will exceed the first and will be sufficient, with the maintenance of normal margins, for the full year result to be similar to the £44.23m of last year.

Operating profit came out at £18.25m (£19.69m). A breakdown of the figures shows that the aerospace division contributed £10.6m (£12.19m), mining £2.2m (£2.79m), industrial £2.56m (£1.72m), electronics £2.86m (£3.08m) with inter-divisional trading of £29,000 (£202,000 loss) making up the balance.

Shares of related companies profits added a further £136,000 (£7,000) and the pre-tax figure was struck after interest payments of £652,000 against interest received last time of £356,000. The tax charge was £6.45m (£7.9m) and with minorities taking £96,000 (£193,000) attributable earnings came out at £11.2m, compared with £12m last time.

Earnings per 50p share came out at 5.4p (5.8p) and the interim dividend was raised from 2.2p to 2.3p.

Sir Robert says that the electronics division continued to expand despite a black market and in aerospace the company was involved in a number of civil and military developments which allowed margins to be maintained, despite the less favourable dollar exchange rate and the cut in Ministry of Defence margins.

Mining division results were variable and the industrial division achieved a significant improvement in profit due mainly to a continued improvement in volume and margins in hydraulics.

● **comment**

Last summer the City was forecasting £55m for Dowty in 1985-86. By yesterday morning the cautious had come down to £48m while the herd was bunched around the £50m mark. But they were all still too optimistic. In spite of sharply lower redundancy costs, pre-tax profits have come out 12 per cent down and the year will do well to produce more than £45m. Currency movements have worked against the group costing it around £700,000 and the mining division has been unexpectedly troublesome with Dowty Meco slipping into the red. But the real constraint has been a sharp rise in R and D expenditure — by as much as £3m — on aerospace and electronics. Such expenditure is to be applauded as long as it creates future work. Its record in winning contracts is not unblemished but the current order book is at record levels. R and D has reached a plateau for the next couple of years so with rising turnover, profits could reach the £50m mark a year later than originally expected. That hope was not enough to hold the shares and the price fell a further 12p to 183p for a prospective p/e of 14 for this year and 11.4 for 1986-87. The premium rating is just about justified.

Charles Batchelor considers John Gunn's impact on B & C Shipping

Steaming into new waters

IT HAS not taken Mr John Gunn long to start making his mark at British and Commonwealth Shipping, the enigmatic shipping, aviation and financial services group controlled by the Cayzer family.

It is less than three months since Gunn joined B and C as an executive director, following his surprise decision last September to resign as chief executive of Exco International, the highly successful money broking company he created.

B and C's decision to set up Kaines Holdings, a new commodity trading company, is the first major step to be taken by Gunn and marks the start of an important if gradual shift of emphasis at B and C.

It is a move which takes B and C into the volatile field of commodities at a time when markets generally are depressed and many of the major players are retrenching.

B and C began in the 1950s in shipping, but has since diversified into a broad range of interests including office equipment, hotels, financial services and air transport. Its sprawling empire of subsidiary and, increasingly, associated companies, combined with the complex share structure through which Lord Cayzer, a prominent Tory supporter, and his family, exercise control make B and C a confusing company.

The large Cayzer holding has shielded B and C from the pressures which in the past few years have forced many sleepy companies to improve their performance to ward off the threat of a takeover.

Despite B and C's acknowledged expertise in picking winners—it backed Mr Alan Bristow, the helicopter millionaire, in his early years and funded Gunn's Exco—it is viewed by many professional investors almost as an investment trust. And there are many parts of its far-flung empire which have undeveloped potential.

Pre-tax profits have increased strongly over the past few years. They rose by nearly 50 per cent to £44.2m in the first half of 1985 after rising threefold in the previous five years. But dividends failed to match the increase in earnings per share.

In addition to what many City analysts view as a meagre dividend policy B and C's earnings came increasingly to depend on the earnings of associate companies, over which it did not exercise director control.

The creation of Kaines indicates an answer is being sought to both of these criticisms. If it is successful in its declared policy of exploiting profitable niches of oil and non-oil commodity markets it should create a healthy flow of profit.

While B and C is backing Kaines with nearly $40m of capital the commodity trading business requires considerably less capital investment than the traditional B and C activities of shipping and aviation. Ultimately the expansion of these income-producing businesses may lead to higher dividends.

"B and C was traditionally an asset-rich company which concentrated on creating capital rather than on maximising income," said Mr Gunn. "There will now be a slightly increased

Mr John Gunn, director of B & C

emphasis on income."

B and C will in effect hold a 51 per cent stake in the new company, but to avoid distorting its own accounts by including a commodity trading house its direct investment will be only 49 per cent.

While Gunn expects what he calls "the portfolio nature" of B and C's activities to remain the same the small, five-strong, group board of directors plans to work more closely with the managers of group companies than in the past.

B and C has traditionally adopted a hands-off policy, partly because it did not have the resources to intervene more directly. Gunn plans to bring in one or two assistants to help the board target parts of the group which could be developed.

With the help of the £106m raised by the sale of its 22 per cent stake in Exco last November, B and C plans to expand its financial service businesses. These include it banking activities, Banque de Rive of Switzerland and Cayzer Ltd in the UK, as well as its property interests. But other areas, such as shipping services and aviation, may also be developed.

"Apart from these we have a myriad of interests in small businesses. We will be picking one or two with potential," Gunn said.

While commodity trading represents a new departure for B and C and Gunn, one third of Kaines' business will be commodity related trade finance forfaiting, businesses with which Gunn is familiar from his Exco days.

Kaines is headed by Mr Julian Lee, an accountant who advised Gunn in the early-1970s at Astley and Pearce, the money broking company Gunn turned into Exco. Coincidentally Lee left Phibro Salomon, the troubled US commodity and investment banking group, on the same day last September that Gunn quit Exco.

Gunn, whose precise role at B and C has been puzzling the City, is clearly to act as a catalyst for ventures such as Kaines, using his own extensive business contacts.

But he is keen to point out that, like the liners which plied the sea routes in B and C's heyday as a shipping line, any change in the course by the company will be cautious and gradual.

Pound fails to halt Gestetner recovery

DESPITE exchange rates moving against the company in the second half, Gestetner Holdings continued its recovery with a 40 per cent increase in pre-tax profits for the year to November 2 1985.

The directors state that for the first time since 1980 all geographical areas were in profit. Rationalisation in France brought that company back into profit in the second half.

On turnover up by 8 per cent to £387.77m (£358.7m), pre-tax profits improved from £8.25m to £11.58m. From earnings per share of 12.47p (4.6p) basic, an increased final payment of 1p is proposed, against last year's 0.658p, adjusted for the one-for-four scrip issue. That makes a total of 1.5p (1.058p).

The directors of this maker of reprographic equipment say the restructuring of the UK manufacturing operations is proceeding according to plan. The making of duplicating stencils has been established at the factories in Stirling, Scotland, and Apeldoorn, Netherlands, and the assembly of offset and stencil duplicating machines is being consolidated in the specially-built factory in Wellingborough, Northamptonshire.

With the completion of the moves in May this year the major part of the site in Tottenham, London, will be vacant and the company is looking at options for its disposal.

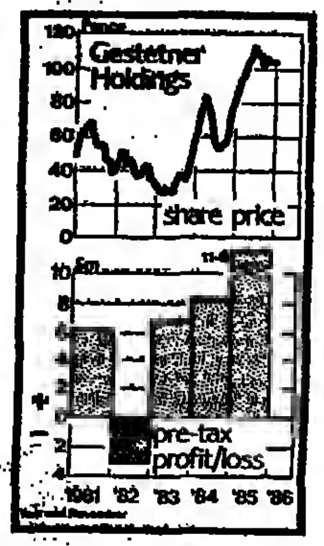
A strong pound puts pressure on the company in the present year, say the directors, but the company should benefit from the decisions taken.

Operating profit came out at £18.2m (£13.54m) after charging exceptional items related to rationalisation and reorganisation of £1.1m (£270,000).

The tax charge was £5.57m (£5.86m) and minorities added £604,000 (took £102,000). There were extraordinary debits of £10.98m (£7.9m).

● **comment**

Gestetner's figures contain a few surprises even if pre-tax profits are in line with expectations. France did well to contribute positively in the second half but overall overseas profits did not rise as substantially as might have been expected given the pound's weakness. In particular a stronger North American contribution failed to materialise—leading to fears that break even might be the best hope there for that current year. In the UK the outlook is clouded by the switch of stencil duplicating machine manufacture from Tottenham to Wellingborough. While most of the below the line costs of this move have now been taken, the impact on profits will come this year especially in the first half. The disposal of the Tottenham site for an amount substantially in excess of the £2m book value depends on Haringey Council's planning committee as does the rating position of what will soon become a non-performing asset. The shares at 169p are trading on a sizeable discount to net asset value of 185p; forecasts of £16m put the shares on a prospective p/e of 8½ (given a 46 per cent tax charge). A rerating is unlikely before Gestetner's new look as a distributor of high value products becomes clearer to the market.



Cannon St calls for £3m

BY RICHARD TOMKINS

Cannon Street Investments, the investment holding company which fell victim to the secondary banking crisis in 1974 but which re-emerged on the USM last July, yesterday announced a one-for-four rights issue and the acquisition of another company for its food division.

The group also forecast a surge in pre-tax profits from £373,000 to £900,000 for the year to December 1985 and declared an interim dividend of 1.5p net—the first dividend to be paid on the ordinary shares since 1973. Cannon Street's directors said no further dividend would be paid for the year just ended, but the board was confident of further progress in 1986 and intended to recommend dividends for the full year totalling not less than 3p net.

The rights issue of 4.2m new ordinary shares at 82p a share will raise £3.2m net. One new ordinary share will be issued for every four held, and five new ordinary will be issued for every four preference shares held. The new shares will not rank for the interim dividend.

Three directors are waiving most of their entitlement to the rights issue to facilitate the placing of nearly 1.5m shares with institutional investors. The rest of the issue is underwritten by bankers Charterhouse Japhet.

Mr Bill Hislop, chairman and managing director, said yesterday that a small proportion of the proceeds would be used to cover the cost of the acquisition and to increase working capital, but the main purpose of the rights issue was to finance further acquisitions.

The acquisition announced yesterday is the purchase of Lorenzo's Foods, a distributor of food in London and the home counties, for an initial £600,000 and up to £1.75m more according to profitability over the next three years.

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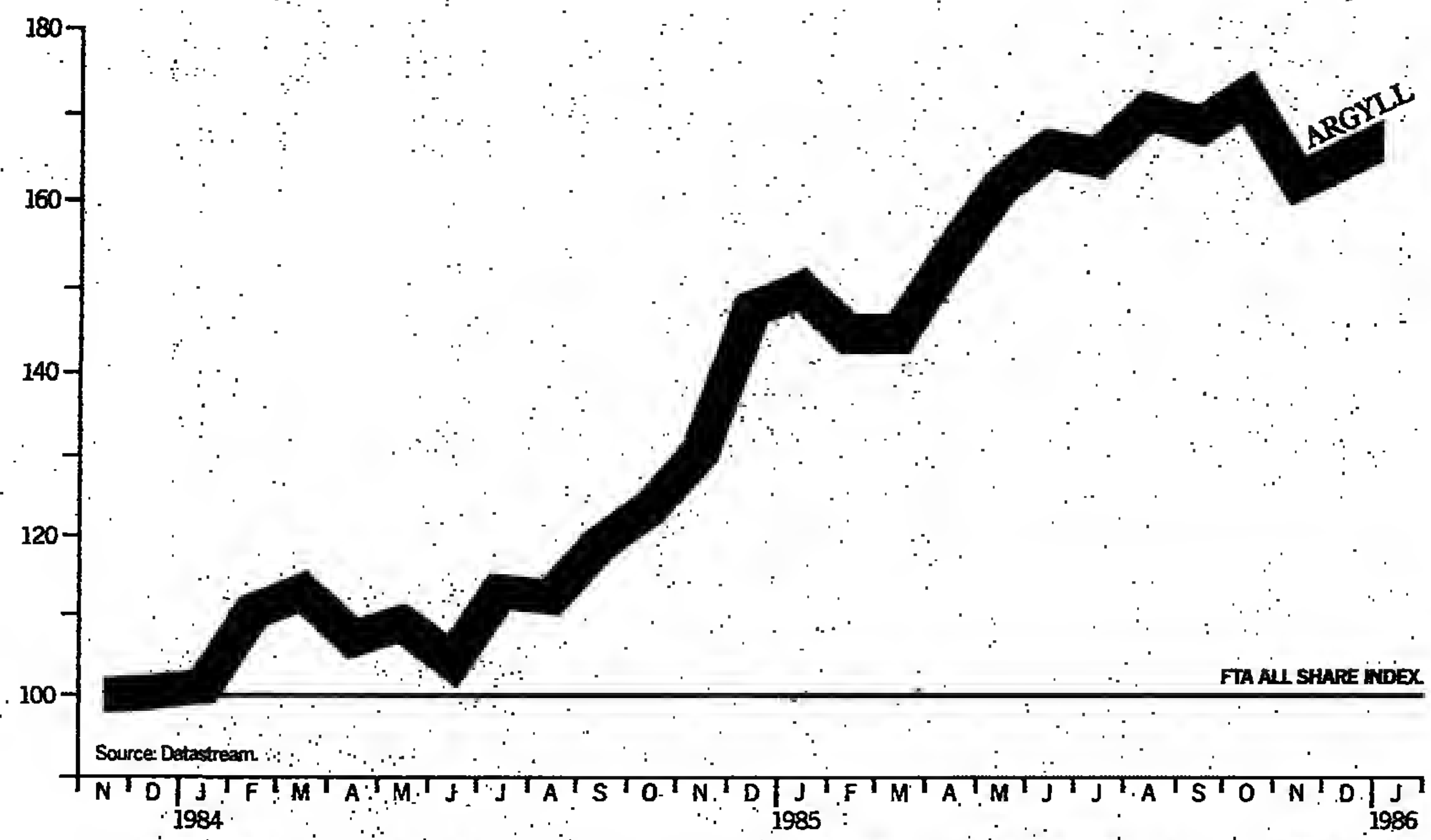

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Is it surprising that Distillers' Pension Fund invests in Argyll shares?

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Argyll. We can revive Distillers' spirits.

UK COMPANY NEWS

Davenports rejects deal from Wolverhampton

BY LISA WOOD

Davenports, the Birmingham brewer, yesterday announced it would "resist vigorously" a take-over proposal from neighbouring Wolverhampton & Dudley Breweries, which puts a price tag of up to £32.1m on the brewery.

The split level offer by W & DB, which has a 15.72 stake in Davenports, is conditional on the support either of the Davenports' board and/or the Baron Davenports' Charity Trust (which has a 19.95 per cent interest) by January 31. If neither party gives an indication of support W & DB will drop the bid.

W & DB made a £26m bid for Davenports in early 1983 but was defeated by the combined efforts of the board, aided by the Charity Trust and the Whitbread Investment Trust, the investment trust arm of Whitbread, Britain's third biggest brewer, which purchased a near 6 per cent stake in Davenports.

This move to obtain a blocking stake in Davenports mirrored similar purchases the WIT has made as in that bid for Boddington's Breweries in 1970 by Allied Breweries.

The first stage of W & DB's proposal aims to put pressure on the Charity Trust. If the board of Davenports recommends the offer and or the Charity Trust indicates it will sell its stake, the offer will be 375p. There is also a share option of 13 W & DB shares plus £22 nominal of a new 8.5 per cent W & DB Convertible unsecured loan stock for every 20 Davenports shares, worth approximately 388p per Davenports share.

However, if the Charity agrees to sell 14.2 per cent of its stake to W & DB—taking its stake up to 29.9 per cent—and irrevocably commits itself to accept the W & DB offer for the rest of its shares, W & DB would make a general offer of 399p for every Davenports share or 14 W & DB shares plus £22 nominal of convertible unsecured loan stock for every 20 Davenports shares, worth approximately 409p per share.

Mr Roger Willcox, a trustee of the Charity, and a member of the Davenports board, said yesterday: "I am not prepared to make a statement of our intentions."

Since making its abortive bid in 1983 W & DB has been signalling to the Trust its continued interest in Davenport which would give it 123 public houses in Birmingham and facilities to brew Harp lager.

In April 1985 the Trust indicated to W & DB that it would not dispose of its shareholding other than in a general offer.

W & DB's share price closed at 420p, down 8p and Davenports at 365p, up 5p.

Wigfalls loss rises to £0.54m

THE COST of implementing its new business strategy and higher than anticipated interest rates contributed to higher pre-tax losses for Wigfalls, the Sheffield-based electrical retail and rental group.

On turnover in the 28 weeks to October 12 1985 up from £30.33m to £33.28m, the loss before tax came out at £539,000 (£487,000). The loss per share was 13p (9.4p) and the interim has again been passed. At the end of last year the directors said they intended paying a total dividend for the present year of 2.5p. The last dividend paid was 6p in 1981.

Mr L. G. Hazzard, chairman, says the results include much of the cost of implementing new business strategies but it was too early for the benefits to be seen.

Operating profit was £106,000 (£186,000) and interest was slightly down from £673,000 to £645,000. Borrowings were cut by £4m, the result both of last year's £2.38m rights issue and, says Mr Hazzard, the initial success of cutting costs and capital employed. Interest rates, however, were much higher than had been anticipated, reducing the possible savings.

During the period four new outlets were opened and seven smaller units closed.

In the present half, the pre-Christmas retail activity was not as high as had been hoped and new year trade has been adversely affected by the bad weather.

The tax charge was £41,000 (nil) and there were extraordinary credits of £119,000, being made up of profit on sale of land of £475,000, less a prior-year adjustment for VAT of £109,000 and redundancy costs of £247,000. Preference dividends took £97,000 (nil).

Davy profit well below analysts' forecasts

DAVY CORPORATION, the engineering and construction group, has failed to live up to City expectations with a fairly static result for the six months to end-September 1985.

At £4.45m pre-tax, the result was only slightly better than the £4.33m achieved in the corresponding period and was considerably adrift of analysts' forecasts, which averaged out at about £5.5m.

Davy's shares were initially marked down 14p to 94p but pulled back to close at 100p, down 8p on the day. The interim dividend has been held at 1.1p.

Lord Jellicoe, who took over the chair last October, says that competition in most of Davy's business sectors has been severe, most noticeably in the US, and this has resulted in reduced margins. Group turnover was just £1.38m higher at £278.03m.

"In recent years, significant operating cost reductions have been made throughout the company," he says, "and this policy of improving efficiency and lowering costs will continue." Progress has been made in the disposal of surplus properties.

Extraordinary costs arising from these factors amounted to £1.1m in the first half and there will be further costs in the second six months. First half earnings per share were 3.5p (1.4p). Tax was £1.11m (£1.05m).

However, he says that there has been some improvement in the rate of order intake.

The chairman says that it is not yet possible to forecast with certainty the year end result and an improvement of last year's £13.05m pre-tax "will depend upon sales and contract negotiations currently under way."

● comment

Davy has disappointed the market badly, and the damage might have been still worse than an 8p fall to 100p, were it not that fresh signs of poor trading have set the bid rumour mills turning again. The real problem has been margins, especially in the US where competition is so fierce that some work is probably being carried out at a loss. Margins in the UK and in Germany have also been bad, and in the UK there have been significant (but as usual, unspecified) costs taken above the line relating to redundancies at Davy McKee. Although the amount of work is starting to rise again, there is scant cause for cheer as the outlook for margins is worse than ever. After such a bad start, Davy is no longer expected to produce improved profits for the full year, and an unchanged £13.5m is the most likely outcome. That would imply a p/e ratio of 9.5, which is high on trading grounds alone. Investors must have their fingers tightly crossed that either Trafalgar (or someone else) makes a bid, or that Davy wins the £1bn plus contract to build a petrochemical plant in the Soviet Union.

Wellcome sets the date for its stock market debut

BY TONY JACKSON

The Wellcome Foundation, the biggest private company ever to go public in the UK, will make its stock market debut on February 14.

The price of the offer—which is being conducted on a fixed price basis—will be published on January 29, and the application date has been fixed for February 7.

It now seems likely that the issue, amounting to 25 per cent of the equity, will value the company at rather less than the £1.5bn figure mooted last year.

The group's advisers speak guardedly of an earnings multiple "in the high teens," which—on the assumption that current year earnings will be similar to last—points to a valuation in the range £1bn to £1.2bn.

Wellcome has been embarrassed over the past 10 days by two high-level departures from its all-important Burroughs Wellcome subsidiary in the US.

Last week saw the resignation of BW's research director, Dr Pedro Cautrecasas, who is to head up the new US research operation being set up by Glaxo next door to the BW headquarters at Research Triangle Park in North Carolina.

This week, too, BW's chairman Mr William Sullivan resigned abruptly in unexplained circumstances. At a press conference introducing the "pathfinder" prospectus yeserday, Wellcome chairman Mr Alfred Shepperd denied press reports that Mr Sullivan had left because of arguments over the succession to Mr Shepperd, who is 60.

"There was no flaming row," Mr Shepperd said. "The question of him being heir apparent was not discussed, either between the two of us or at boardroom level. It was his choice to leave."

Mr Shepperd said that the speed with which both men had been replaced was an indication of the strength in depth of Wellcome's management.

Dr Cuatrecasas is being replaced by Dr Howard Schaeffer, who discovered one of the group's most successful new products, the anti-herpes drug Zovirax. Mr Sullivan has been replaced by Mr Ted Haigler, formerly finance chief of BW.

The prospectus gives new details about the make-up of Wellcome's drug sales by therapeutic area. The largest, cough and cold preparations, had sales of £142m last year, or 17 per cent of the human healthcare total. Next came antibacterials, with sales of £99m (12 per cent), topical anti-infectives (£83m, 10 per cent), anti-gout preparations (£80m, 10 per cent) and anti-virals (£62m, 7 per cent).

The fastest-growing sector for the group has been anti-virals, due to the success of Zovirax. This area is also expected to take the largest single share of future research and development spending, both on extensions of Zovirax and the development of Wellcome's new Aids drug, which went into clinical trials in the US a few months ago. The next most important research area is expected to be in the biotechnology field of deep cell culture.

The group emphasised the remarkable growth seen in recent years by BW in the US. In dollar terms, sales went up by 24 per cent in each of the last two years, and volume last year jumped by 14 per cent against a market increase of 2 per cent.

BW now claims to be the 16th largest US drug company by turnover, the sixth largest in number of prescriptions, and the fastest growing among the 20 largest companies in the industry.

This remarkable performance underlines the sensitivity of recent events in the US. Despite having contributed 73 per cent of the group's trading profits last year, BW has only one representative on the main board, and after Mr Sullivan's departure the job of BW chairman has been assumed by Mr Shepperd.

Despite Wellcome's disclaimers, there is a clear suggestion of tension between the two arms of the business, which from the point of view of the flotation has surfaced at an unfortunate time.

Southern Business ahead 25%

A YEAR of success at Southern Business Group, the service leasing concern, has seen a 15.2 per cent rise in sales, a 25.5 per cent advance in pre-tax profits, and a 20 per cent lift in shareholders' dividend.

The group, listed on the USM, operates service leasing contracts involving the supply and maintenance of photocopiers and drink vending machines.

For the year ended September 30 1985 the group's sales are up from £6.1m to £7.02m, while the profit came out at £1.91m, against £1.52m. Cost of sales was £2m (£1.83m) and other expenses totalled £3.09m (£2.75m).

Shareholders' final dividend is 1.7p, which raises their net total from 2.25p to 2.7p.

The directors report that the group's high level of activity continues, and the resulting expansion of business combined with the "high morale and motivation of the staff" gives them confidence for expecting further progress in the current year.

Forward contracted income stood at £38.5m on September 30, a rise of £11.6m over the previous year-end.

The photocopier division had a very successful year during which the client base was also expanded dramatically. The Maxpax and Facsimile divisions gave their support with steady progress.

After tax £238,000 (£275,000) the net profit came through at £1.67m (£1.24m) for earnings of 11.4p (9.1p) per share. Last year there was an extraordinary provision of £606,000 for deferred tax.

The results do not include any contribution from Pioneer Copying Machines, in which Southern bought a 50 per cent interest last October for £423,000.

Mr George Stewart, chairman, is relinquishing his executive duties but will continue in a non-executive capacity. Mr David McErlain remains managing director and becomes deputy chairman.

● comment

The trouble with Southern Business Group's profits growth is that it is so predictable. The 25 per cent increase was exactly in line with forecasts made as long ago as last summer and the market reacted with a yawn, leaving the shares unchanged at 115p. Such complacency seems almost churlish since Southern has not had it all its own way in the last year: its policy of switching customers from five-year contracts to 7½-year ones at lower premiums, although ultimately more profitable, cut turnover growth from the previous year's 29 per cent to 15 per cent. This appears to have been a one-off setback and the current year should see 25 per cent growth, suggesting pre-tax profits of £2.3m and a prospective p/e ratio of 9 after a 12½ per cent tax charge. The multiple looks as mean as ever: with inflation-proofed income fixed for years ahead and overheads firmly controlled by Southern's unusual management system, the group looks well placed to expand its tiny market share through further strong organic growth and acquisitions.

JONES STROUD (Holdings) raised pre-tax profits from £1.54m to £2.02m in the six months ended September 30 1985 from a turnover of £20.49m, against £20.21m. Earnings amounted to 12.8p (9.17p) and the net interim dividend is 3p (2.5p). Interest charges took £316,000 (£282,000) and tax £801,000 (£639,000). The company makes accessories and materials for the textile and electrical industries.

Wickes prospectus published

By Richard Tomkins

Wickes, the building materials and do-it-yourself retailer being floated on the USM, today published the prospectus for its offer for sale of 4.95m shares at 140p a share.

The group is the European subsidiary of Wickes Companies Incorporated, the Californian industrial and retailing conglomerate which emerged from bankruptcy proceedings in January last year. The European operation has operated as an autonomous trading entity since 1982.

The London-based Wickes has 56 stores in Europe — 22 in England, 23 in the Netherlands and 11 in Belgium.

Wickes incurred pre-tax losses of £493,000 in 1980 and £1.8m in 1981, which the prospectus attributes to high interest charges and currency losses on dollar borrowings, and to costs arising on store closures. Since then pre-tax profits have grown from £347,000 in 1982 to £2.2m in 1984.

For the year to January 1986 the group is forecasting pre-tax profits of £3.6m.

● comment

Wickes has not chosen an ideal time to come to the market: demand in DIY sector is buoyant but the competition has never been hotter, with several bigger operators fighting their corners. The results have been all too apparent in Home Charm's share price of late. Wickes argues that as a specialist in the structural end of the market it is not in direct competition with the rest, but there is enough overlap to give cause for concern—and it is certainly in competition for the right out-of-town sites. All this suggests that UK profits are unlikely to see much advance in the coming year and that most of the growth will have to come from savings on the interest charges and a turnround in the Netherlands. About £6m looks likely, putting the shares on a prospective p/e ratio of 11.8 after a 35 per cent tax charge. Against an average prospective p/e for the sector of 14 this does not look expensive, but the subsector performance suggests that investors may respond with caution.

CPS Computer

CPS Computer yesterday warned investors that it made a loss of between £200,000 and £250,000 in the year to September, and announced that Mr John Sewell has been replaced as chairman by Mr Larry Erdman.

The news came as a further blow to shareholders who saw their shares fall by 5p to 27p from a high in 1984 of 204p.

The company says that its problems stemmed from tough conditions in the market for personal computers, and the results contain a stock write-off of about £500,000.

D. Dixon and Gelfer in talks

David Dixon, the Yorkshire based clothing group, said yesterday that it had held talks with A and J Gelfer, a Glasgow-based textile manufacturer which recently acquired a 20 per cent stake in the company, to discuss areas of possible collaboration. These discussions might lead to a merger.

Dixon shares closed up 24p on the day at 282p. Gelfer closed up 12p at 110p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Abbey ....int.	2§	Feb 27	Nil	—	Nil
Appletree	1‡	Feb 28	—	1	—
Bogod-Pelepah‖ ....int.	0.11	Mar 13	0.1	—	0.3
Bogod-Pelepah** ...int.	0.22	Mar 13	0.2	—	0.6
Davy Corporation ...int.	1.1	April 8	1.1	—	3.69
Dowty Group ....int.	2.3	Mar 31	2.2	—	5
Electron House‡ ....int.	1.4	April 4	—	—	1
Electronic Machine	0.7	—	0.7	0.7	0.7
Eurotherm	3.25	—	2.75	4.75	4
Fleming Technology int.	0.8	Feb 15	0.8	—	2.3
Gestetner Holdings	1	—	0.86*	1.5	1.06*
Imperial Grp.	6.6	—	5.55	9.6	8.55
Jones Stroud ....int.	3	April 7	2.5	—	7
Oakwood Group	3	Feb 28	4.5	5	4.5
St Andrew Trust	1.9	April 10	*1.73	2.9	*2.57
SGB Group	5.2	April 7	4	7.5	6.3
Southern Business	††1.7	Mar 6	1.5	2.7	2.25

Dividends shown in pence per share except where otherwise stated.

*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶Irish currency throughout. ‖Per ordinary share. **Per "A" RV share.

UK COMPANIES

Electron House £7m purchase

Electron House, the USM quoted electronic component distribution group, is paying up to $9.7m (£6.7m) for the Pacesetter Group. To finance the acquisition, the company is making a rights issue to raise about £5.15m, net of expenses.

Pacesetter is owned by a subsidiary of American Pacesetter, a US company quoted on the Pacific exchange. It comprises four operating companies, all of which are involved in the franchised distribution of electronic components. The largest is located in the UK, with others in Australia, New Zealand and the US.

Mr Robert Leigh, the Electron chairman, said the acquisition would enable the group to treble its turnover and enhance its status in the electronic component market, and he expected Pacesetter to make a significant contribution to group profits.

The enlarged company intended to seek a full listing as soon as practicable.

Yesterday Electron announced pre-tax profits up from £126,000 to £239,000 in the six months to November 30 1985 on turnover of £3.29m (£3m). The increase arose from an improvement in sales margins because of a reduction in average order values and from strict control of overheads.

Earnings per 10p share climbed to 3.05p (1.88p) and the company is paying an interim dividend of 1.4p net. A final of 1.8p is forecast on the capital increased by the rights making 3.2p for the year—an increase of 15.5 per cent over the 2.7p indicated at the time of the April 1985 flotation.

The company is to issue 2,635,710 rights units (each comprising one new ordinary share and one 6.5 per cent convertible cumulative redeemable preference share) at 207p each, on the basis of four units for every nine ordinary shares held.

The preference shares will be convertible on the basis of 69 ordinary shares for every 100 preference held after the publication of the accounts in the years 1988 to 1995.

The directors together with Grosvenor Development Capital (which holds 20 per cent of the equity) have indicated that they will not be taking up their full entitlements in respect of 1,144,220 rights units. Laurie, Milbank & Co has undertaken to subscribe or procure subscriber in these units at 207p per unit.

Grosvenor Development has undertaken to take up 110,000 rights units in respect of its entitlement. The balance of 1,381,490 units have been underwritten by Laurie, Milbank.

Referring to the Pacesetter purchase, Mr Leigh said he believed the acquisition was being made at an opportune time, with the electronics market at or near to the bottom of its cycle.

The initial consideration payable on completion will be calculated by reference to Pacesetter's audited accounts as at December 31 1985. Based on audited accounts for the 10 months to October 31 1985, and management accounts for the subsequent two months. The initial sum is expected to be $7.7m for net assets being acquired of $7.1m.

A further amount, up to a maximum of $2m will be payable based on the profits only of Pacesetter Electronics, the US trading company, for the two years ending May 31 1988.

Turnover of the Pacesetter Group for the 10 months to end October 1985 was £15.46m (£21.53m for year 1984) and pre-tax losses came to £406,000 (£647,000 profit). UK results have been affected by a decline in gross profit margins, but the company is expected to be profitable in 1986.

Mr Leigh stated that the foundation being built by the addition of Pacesetter provided the opportunity to increase earnings per share through the achievement of more acceptable levels of return in relation to both sales and assets.

SGB boosted by overseas turnround and UK growth

GROWTH IN the UK core businesses and a move from loss to profit overseas enabled the SGB Group to meet the forecast it made at the time of the takeover approach from BET.

From a turnover £11.67m ahead at £189.13m the Surrey-based group with interests in the supply and hire of equipment and services mainly for the building, civil engineering, energy and manufacturing industries, raised its profits in the year to September 1985 from £11.01m to £13.5m pre-tax.

The final dividend is being lifted from 4p to 5.2p making a net total of 7.5p, compared with a previous 6.3p.

SGB received the approach from BET last October soon after it rejected a tender offer from C. H. Beazer (Holdings) which was offering to purchase 10.69m (some 25 per cent) of its ordinary shares.

Tenders were received in respect of less than 5.1m shares by Beazer and the offer became void.

The approach by BET was subsequently referred to the Monopolies and Mergers Commission and lapsed. The directors of SGB had forecast pre-tax profits of £13.5m for 1984-85 and not less than £18m and a 10p dividend for 1985-86 now that the group was free of loss-making activities, both at home and overseas.

The past year saw group tax rise from £4.11m to £6.15m. There was a deferred tax credit of £425,000 (£826,000) and adjustments for minorities amounting to £31,000 (£42,000).

Below the line there were extraordinary charges of £2.03m (nil). These reflected closure, disposal and reorganisation costs.

Earnings came through unchanged at 18.4p per 25p share.

By reason of ill health Mr N. L. Clifford-Jones, the chairman, will leave the board this weekend. Mr C. Beck, who has been acting chairman due to Mr Clifford-Jones' illness, will be appointed chairman and managing director.

Abbey jumps to I£3m and on target for year

Abbey, the Dublin-based property developer, which recently fought off a £24m takeover bid from French Kier, has

[illegible]

directors are confident and say they are dedicated to profit growth.

The concentration on the South

[illegible]

T&N faces lower charges

[illegible]

BOARD MEETINGS

[illegible]

AAC Transvaal

Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Reports of the Directors for the quarter ended December 31 1985

WESTERN DEEP LEVELS

[illegible]

VAAL REEFS—continued

[illegible]

ERGO

East Rand Gold and Uranium Company Limited

[illegible]

VAAL REEFS

Vaal Reefs Exploration and Mining Company Limited

[illegible]

S.A. LAND

The South African Land & Exploration Company Limited

[illegible]

ELANDSRAND

Elandsrand Gold Mining Company Limited

[illegible]

SOUTHVAAL HOLDINGS LIMITED and THE AFRIKANDER LEASE LIMITED

[illegible]

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

NOTES

1. ORE RESERVES

[illegible]

2. DIVIDENDS

[illegible]

3. DEVELOPMENT

[illegible]

LONDON OFFICES: 40 HOLBORN VIADUCT, EC1P 1AJ

THE PROPERTY MARKET BY MICHAEL CASSELL

MEPC buys out fund partnership

MEPC, this week basking in the warm glow of its newly-acquired "A" rating from Standard & Poors, has finally brought to an end a long-standing, low-profile investment partnership with three of the UK's major life assurance groups.

Threadneedle Property was bought off the shelf in 1959 to develop and hold a mix of commercial property investments around the UK. MEPC, one of the largest British development groups, took 65 per cent of the equity, with the balance being held by London Life, National Provident Institution and Equitable Life. The three life companies were to provide finance through debentures and MEPC threw in the development and management expertise.

In what was always an easy-going partnership—in which the minority shareholders actually controlled 50 per cent of the vote—Threadneedle went on to develop and continued to manage a portfolio of office and shop investments around the country.

In all, around 14 properties were created and held in locations as far afield as Newbury, Fareham and Slough. In the end, MEPC's wish to develop on land alongside one of Threadneedle's existing properties—a shopping centre at Yate, Chipping Sodbury—found little support among its other partners. London Life suggested the relationship had perhaps run its course and the others agreed.

The end came this week with an agreement by MEPC to issue today 2.25m new ordinary shares in order to acquire the outstanding 35 per cent equity. The deal values the minority interests at around £8.2m.

Christopher Benson, MEPC managing director, said the parting had been totally amicable: "The partnership was really so relaxed that, more recently, nobody really bothered to do anything about it."

As for the seal of approval from Standard & Poors, Benson is naturally delighted at the added cachet, not to mention the status which should prove beneficial if and when the group wishes to raise finance in any of the world's major markets.

"They gave us a good grilling and clearly approved of what they saw. The rating will give us a keener edge when the time comes to raise finance, although we have never had any problems on that score."

The group has, in the past few days, arranged a major, medium-term syndicated facility for £200m through N. M. Rothschild. The seven-year deal will allow it to refinance some of its sterling and overseas currency borrowings on better terms and provide medium-term finance for its development programme.

Sainsbury spreads

SAINSBURY, a crucial participant in Town & City's controversial plans for a major shopping and leisure centre three miles south west of St Albans, has now emerged at the centre of proposals for another development—just half a mile from the town centre.

The news has been quickly picked on by objectors to Town & Country's so-called "golden triangle" scheme — situated between the M1, M25 and A405 —as possible evidence of Sainsbury's lack of commitment to the green belt project.

Savacentre, the Sainsbury-British Homes Stores hypermarket operation, is to be one of two major space users in Town & City's planned shopping and leisure complex, which will include 500,000 sq ft of retail sales space. But, along the road and with British Gas, it has just won planning consent for a large foodstore, DIY and office centre.

Both Sainsbury and Town & City say there is no problem. The supermarket chain points out that it has a Savacentre operation at Calcot on the M4 motorway, close to a string of nearby conventional supermarkets and they have all managed to do well.

Ron Jennings, chairman of Town & City (Developments) says he has a written commitment from Sainsbury that, whatever happened to the Gas site application, it intended to stay in the company's "golden triangle" project.

Citicorp steps out of line

CITICORP is again donning its property pioneering hat by developing a $250m office building within five minutes of its midtown Manhattan headquarters—but on the other side of the East River.

The US bank, which has made something of a habit of settling in places other banking corporations prefer to avoid, is pressing on with plans to develop a 1.25m sq ft office centre in the borough of Queens, hardly at the heart of New York's banking community.

The new, 48-storey complex, on a car park site at Hunters Point, is likely to be the tallest New York building beyond Manhattan and, far from housing the type of backroom operations usually associated with less desirable locations, will be filled with executive staff.

Although the new operations centre may seem somewhat out on a limb, the Bank emphasises that it will be a great deal quicker to reach the Queens building from Citicorp Centre on Lexington than, say, its offices on Madison at 42nd Street. According to a spokesman: "You can take the subway from the base of the Citicorp Centre and travel one stop to our new site. It could not be easier or quicker."

Citicorp has made a habit of pushing back the boundaries of what constitutes an acceptable banking address—and not just in the US.

In London, for example, it has been negotiating to occupy a large proportion of the space now being completed by St Martins Property Corporation at London Bridge City on the south bank of the Thames, directly opposite the City of London. Again, rental costs will be considerably lower than in the Square Mile but the Bank was also faced with an acute lack of suitable space in more conventional locations north of the river.

Shortage of office floorspace is not, however, a current problem in the Manhattan market, where there is again talk of a mounting oversupply. The real reasons behind the decision revolve around cost savings and Citicorp reckons it will be putting up a new building for around half the going rate in Manhattan. Not only are land costs much lower but higher tax incentives are available for anyone prepared to give a vote of confidence in one of New York's less prosperous boroughs.

Twice before, the US bank has taken location decisions in Manhattan which have appeared brave at the time but, in hindsight, arguably inspired. Back in the 1950s, it was about the first bank to move away from Wall Street and head for midtown, where it settled down on Park Avenue, then almost exclusively residential.

Then, when the Manhattan office market fell apart in the mid-1970s, it bought in land to the east of its Park Avenue headquarters and developed the Citicorp complex on Lexington, then better known for pleasure houses than finance houses.

Now, perhaps the boldest step of all. Queens has simply not made the running as an alternative business centre, in spite of its close proximity to Manhattan and some fairly spectacular views across the river. Citicorp is unconcerned.

IN WHAT should be an interesting test of commercial values in London's Docklands, the first property in the Isle of Dogs enterprise zone not carrying the benefit of capital allowances, is on the investment market.

Before Christmas, Baltic Developments purchased, from Northern & Shell, a waterfront location in the enterprise zone, where it is to construct a new building for the London Docklands Development Corporation. But a two-year-old 13,000 sq ft building on the same site, let at £140,000 a year, is being sold on.

Because the property is not "new and unused," there will be no allowances attached so its appeal will depend on normal investment criteria. Grant & Partners and Bernard Thorpe are asking £1.65m, representing an 8.25 per cent yield to the purchaser.

The agents say funds have been unable to consider Docklands because of the low yields reflecting benefits available to other types of buyers. Now they have the chance to buy on the basis of a pure, property related yield.

Grosvenor to build Bank headquarters

WHEATSHEAF INVESTMENTS, one of the Grosvenor Estate's two principal UK development companies, is to develop a £19m headquarters building for Allied Irish Banks at Uxbridge in west London.

Wheatsheaf is to build the new headquarters on land acquired at Belmont Road, Uxbridge. The 69,000 sq ft office building, together with 5,000 sq ft of retail space, is to be financed by Pension Fund Securities, the ICI pension fund. Detailed planning consent is now being sought. The fund was represented by King & Co, Hillier Parker is acting for Wheatsheaf and Baker Harris Saunder represented AIB.

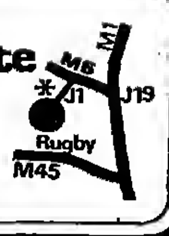
● Stadium Developments, the Humberside development and investment group, has announced plans for a 1.5m sq ft retail and leisure park to be built on a 115-acre site in the Rotherham enterprise zone. The project, which the developers claim could provide 6,500 permanent jobs, will include a 1m sq ft covered shopping mall, a 400,000 sq ft retail park and a leisure centre. There will also be parking for 10,000 vehicles.

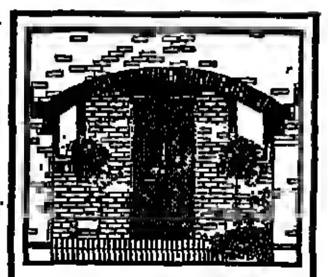
Work on phase one of the Parkgate Centre—the retail park—is to start at once. Retailers committed to the park include MFI, Harris Queensway and Texas Homecare. The total cost of the project could be over £100m, although no details of funding have been given.

● Proudland Investments has agreed to pay in the region of £2m for Park Avenue industrial estate in Southall, west London. The 56,000 sq ft, fully-let investment gives Proudland an initial yield in the region of 13 per cent and was by Barratt Commercial as part of the group's drive to reduce borrowings. Sandrove Brahams acted for Barratt.

● Property and Reversionary Investments has acquired the entire share capital of Union Holdings, a private property investment company with a portfolio of freehold shop properties in London and an annual rental income in excess of £100,000 a year. Price paid was £1.4m cash. Savills acted for Union while Anthony Lipton and H. L and A. Rubens represented PRI.

● Wates City of London Properties has completed the 17,500 sq ft office development at Bakers Hall, Harp Lane, City, on behalf of Harp Lane Investments, who hold a long ground lease from the Worshipful Company of Bakers. Asking rent, through St Quintin, is £29 a square foot.





FT COMMERCIAL LAW REPORTS

Bank owes no duty to borrower on appointment of receiver

SHAMJI AND OTHERS v JOHNSON MATTHEY BANKERS LTD AND OTHERS
Court of Appeal (Lord Justice Oliver and Lord Justice: Nourse): December 13 1985

A BANK owes no duty of care to borrowers or guarantors when deciding whether to exercise its power under security documents to appoint receivers of the borrower's assets; and accordingly, the borrower cannot claim that in making its decision the bank was under an obligation to take account of the fact that finance was being raised to repay part of the loan.

The Court of Appeal so held when dismissing an interlocutory appeal by Mr Abdulhamid Jamal Shamji and 16 companies controlled by him known as the Gomba group, from Mr Justice Hoffman's refusal to permit amendments to their statement of claim in an action *against* Johnson Matthey Bankers and two receivers of the group's assets. The receivers, Mr Andrew Homan and Mr Colin Bird, were appointed by the bank under powers contained in debentures held as security for loans made to the group.

LORD JUSTICE OLIVER said that Mr Shamji had traded very successfully for some time with support from the bank. He created a group of companies which became indebted to the bank for over £21m. A guarantee of £5m was taken from Mr Shamji.

Between June 1984 and October 1985 the bank was concerned with trying to protect its security as best it could. It seemed that it might have to accept some sort of discount on the £21m.

On September 28 1985 it was agreed between the bank and Mr Shamji that the group should pay £14.6m to the bank within 21 days and that Mr Shamji should deliver a promissory note for £2m.

Clause 1 of the agreement provided that if the group's obligations were not met within the 21 days, the bank should extend the period by not more than 14 days "if it is satisfied that the negotiations with Lonrho . . . are proceeding in a proper and expeditious manner."

Mr Shamji had been making *endeavours to raise* money to pay off the bank. He had investigated a number of sources. At the date of the agreement Lonrho was the favoured source of finance.

Clause 4 of the agreement provided that the bank should make no claim against any member of the group during the 21 day period or during its extension, "unless it becomes clear to the bank that the current negotiations with Lonrho have broken down."

The period expired without the £14.6m having been paid, and Lonrho did not come up with the funds.

On October 25, during the period in which any extension would have been running, the bank appointed receivers under powers contained in debentures.

It was in relation to that appointment that the present proceedings arose. Mr Shamji and the group sued the bank and the receivers for injunctions to prevent the receivers from acting, and for consequential relief.

In the course of the action Mr Justice Hoffmann refused to permit certain amendments to the statement of claim. The present appeal was against that refusal.

One of the alternative sources of finance investigated by Mr Shamji was Standard Chartered Merchant Bank (SCMB). It was his desire to plead that even if the bank was not satisfied that the Lonrho negotiations were proceeding, nevertheless there were some active negotiations with SCMB which would have justified an extension.

It was pleaded that to give the agreement business efficacy it was an implied term that £14.6m would be acceptable from any reputable banking source other than Lonrho. The bank knew that SCMB was willing to consider financing the group's debt and was capable of providing £14.6m by November 1, in place of Lonrho.

What Mr Shamji was saying was that as a matter of construction of the agreement references "to any reputable financial source" had to be read in place of references to Lonrho.

As Mr Justice Hoffmann said that construction was quite *unarguable* and the *relevant* clauses in the statement of claim did not disclose any course of action. He was clearly right in refusing to allow the amendment.

The basis of the second amendment was that when the receivers were appointed the bank had been informed that SCMB was prepared to discharge the £14.6m by November 1.

It was said that the bank ought to have taken that into account and that it was under a duty of care in favour of the borrowers not to appoint a receiver.

The bank owed Mr Shamji and the group a duty of care to consider "all relevant matters" before appointing receivers, it was said, and no reasonable banker would have refused to allow negotiations to continue with SCMB and to postpone the appointments until November 1.

Also, said the statement of claim, the bank owed Mr Shamji a duty of care to ensure that its recovery against the group was maximised so that its recovery against his guarantee was minimised.

His Lordship adopted as his own the passage in which Mr Justice Hoffmann dealt with the amendment.

The judge said that in the absence of bad faith a bank could not owe mortgagors or guarantors a duty of care in deciding whether to exercise its contractual right to appoint a receiver.

It might owe some duty in the way in which the right was exercised (for example it might owe a duty to take reasonable care not to appoint an incompetent), but not as to whether it was exercised.

Mr Yorke for Mr Shamji and the group relied on *Cuckmere Brick [1971] Ch 949, Standard Chartered Bank v Walker [1982] 1 WLR 1410* and *Tse Kwong Lam [1983] 1 WLR 1349*.

Those cases demonstrated that a mortgagee or receiver exercising a power to sell mortgaged property owed a duty to the mortgagor or guarantor to take reasonable care to obtain fair value.

There could, however, be no real conflict of interest between mortgagor and mortgagee. As Lord Denning MR said in *Standard Chartered Bank*: "He owes this duty not only to himself to clear off as much of the debt as he can, but also to the mortgagor to reduce the balance . . . and to the guarantor so that he is made liable for as little as possible."

Appointment of a receiver involved an inherent conflict of interest. The purpose of the power was to enable the mortgagee to take the management of a company's property out of the hands of directors and entrust it to a person of the mortgagee's choice.

That power was granted to the bank as mortgagee by the security documents in completely unqualified terms. Its decision to exercise the power could not be challenged except *perhaps on grounds of bad faith*.

There was no room for implying a term that the bank should be under a duty to Mr Shamji and the group to "consider all relevant matters" before exercising the power. If no such qualification could be read into the security documents, no wider duty could exist in tort.

For the reasons given in his judgment Mr Justice Hoffmann came to the right conclusion in disallowing both sets of amendments. The appeal should be dismissed.

Lord Justice Nourse agreed.

For Mr Shamji and the group: Richard Yorke QC, Hubert Picarda and Peter Hayward (Holman, Fenwick and Willan).

For the bank and the receivers: Michael Crystal QC and Richard Adkins (Freshfields).

By Rachel Davies
Barrister

THESE REPORTS will be published in volume form with the full texts of judgments. For details contact Kinwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Tel. 01-831 0391.

APPOINTMENTS

Group treasury post at the Midland Bank

Mr Roger K. Simmons has been appointed assistant general manager, with responsibility for funding and liquidity at MIDLAND BANK group treasury. He was vice president and manager, money market dealing at Bank of America, London.

★

The BRITISH HOTELS RESTAURANTS & CATERERS ASSOCIATION has appointed **Mr Robin Lees** as its new chief executive. Mr Lees concluded a career in the Royal Air Force as head of the administrative branch in the rank of Air Vice-Marshal. He succeeds **Mr Clive Derby** who has retired.

★

YAMAICHI INTERNATIONAL (EUROPE) has appointed **Mr John R. Sclater, Mr Stanley H Wright** and **Mr William J. Happer** as non-executive directors.

★

Glen Dimplex has appointed **Mr N. J. Winnett** executive chairman of MORPHY RICHARDS. Mr Winnett was chairman and managing director of TI-Creda.

★

Mr Trevor F. Hammond has been appointed director of the BRITISH METALLURGICAL PLANT CONSTRUCTORS' ASSOCIATION.

★

Mr Bob Harris has become financial director and **Mr Peter Taylor** product development manager of HAYTERS. Mr Harris was previously with Guardall, a subsidiary of Chubb, where he was finance director for three years. Mr Taylor was senior design engineer with the Qualcast home and garden division.

★

Mr Roger Reeve has been appointed managing director of DRAYTON CONTROLS. His previous position was sales director. During 1985 he was made president of Drayton Inc, the company's wholly-owned subsidiary based in Allentown, Pennsylvania, an appointment that he will retain in tandem with his new role.

★

Mr Vernon C. Bryan, who retired last year from the position of managing director of the UK division of Commercial Union Assurance Co, has been appointed a director of ALBION INSURANCE CO.

★

CREDIT SUISSE FIRST BOSTON (CSFB) has made the following board appointments: **Mr K. Miesel, Mr A. C-F. Mathieu, Mr F. von Hurter, Mr L. Arnold**, executive directors, and **Mr R. J. Schmoelz** a non-executive director.

★

Mr Brian Sexton has been appointed regional director of BRIAN WOODHEAD & CO (EAST), a new branch of the Brian Woodhead Group.

★

Mr Neil Kirkman has been appointed to the board of ROYDS SOUTH WEST, part of the Royds Advertising Group.

★

Mr Tony Moeller has become managing director designate at TENBY ELECTRICAL ACCESSORIES. The current chairman and managing director, **Mr Doug Ayers**, is due to retire in February.

★

Mr L. H. Brooks, managing director of INBUCON MANAGEMENT CONSULTANTS, has been appointed chairman and chief executive. Board members **Mr E. R. Alston** and **Mr G. R. Smith** have been appointed managing directors of Inbucon Human Resources, and of Inbucon Corporate and Technology Services, respectively.

★

Mr David Nicholas Marshall has joined the board of ARGYLE TRUST. He is finance director of Sterling Trust, the group's licensed deposit taking subsidiary.

★

ATLANTIC RESOURCES has appointed **Mr Emmet K. Brown** to the board as exploration director. He was previously exploration manager.

★

Mr David Brown has been appointed a non-executive director of THOMAS WARRINGTON AND SONS. He was previously managing director of Doulton Engineering Group.

★

At NATIONAL MUTUAL LIFE ASSURANCE SOCIETY, **Mr N. K. S. Wills**, a director, has resigned due to the demands of BET and **Mr J. Mitchell** has resigned as a director and assistant general manager. **Mr S. A. Hall** has been appointed assistant general manager (marketing).

★

Mr Arthur Cahen has become a partner in the New York office of MOORE STEPHENS.

★

Mr Jim Fallon, director — external relations of MK Electric, has been re-elected to the board of the NATIONAL HOME IMPROVEMENT COUNCIL.

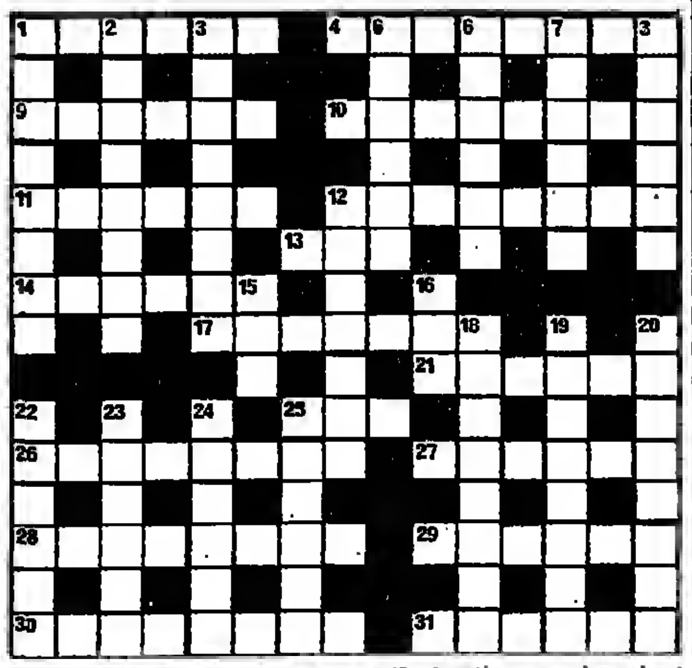
★

NEWMARKET VENTURE CAPITAL has appointed **Dr Caroline Vaughan** and **Mr Tim Lowden** to the executive committee. Dr Vaughan joined from Celltech in May 1984. Mr Lowden joined Newmarket in November 1984.

★

Mr Edward Adeane, Mr Michael Harris, Mr Sidney Hopkins, Mr John Menzies and **Sir Peter Reynolds** have become directors of GUARDIAN ROYAL EXCHANGE.

F.T. CROSSWORD PUZZLE No. 5,924



ACROSS

1 Strike a fresh attitude in sleep (6)
4 May be start of trouble in a washing-machine (8)
9 Fashionable attempt to come in last (6)
10 They prepare athletes' footwear (8)
11 Unlawful sexual congress in Church Street (6)
12 Soldier on run in resort (8)
13 Mark of approbation at the right time (3)
14 The French still without a team (6)
17 Plant cut to standard (7)
21 Read about father leading show (6)
25 Card admitting one to church (3)
26 Nothing over end of gun but artilleryman's match-stick (8)
27 Blow to the band (6)
28 Stuck gun outside when wounded (8)
29 Motor-car guide (6)
30 Has a gay time in underworld havens (8)
31 Mean to produce one hook before the close (6)

DOWN

1 One who holds hack a fee (8)
2 Attain through going out with minister (8)
3 Avoid team's pet aversion (4-4)
5 Stone fish-trap (6)
6 Stumble so unfortunately in examination (6)
7 Explanation man has about politician (6)
8 More adventurous breakfast food (6)
12 Managed to get wine in pillage (7)
15 Seize hill-top (3)
16 Where rubbish is put in extremity (3)
18 Blinkered supporter of irregular soldier (8)
19 One rein-coat hung up over only garment (6)
20 Took ill when having to represent educated element (8)
22 Fail to win Civil Defence round so shut up (6)
23 Painter partly faking results (6)
24 Cuts up firm plaster-work (6)
25 Stress caused by taking money on account (6)

Solution to Puzzle No 5,923

BASE LENDING RATES

ABN Bank	12½%	■ Guinness Mahon	12½%
Allied Dunbar & Co.	12½%	■ Hambros Bank	12½%
Allied Irish Bank	12½%	Heritable & Gen. Trust	12½%
American Express Bk.	12½%	■ Hill Samuel	§12½%
Amro Bank	12½%	C. Hoare & Co.	*12½%
Henry Ansbacher	12½%	Hongkong & Shanghai	12½%
[illegible]	[illegible]	Johnson Matthey Bkrs.	12½%
Banco de Bilbao	12½%	Knowsley & Co. Ltd.	13 %
Bank Hapoalim	12½%	Lloyds Bank	12½%
Bank Leumi (UK)	12½%	Edward Manson & Co.	13½%
BCCI	12½%	Meghraj & Sons Ltd.	12½%
Bank of Ireland	12½%	Midland Bank	12½%
Bank of Cyprus	12½%	■ Morgan Grenfell	12½%
Bank of India	12½%	Mount Credit Corp. Ltd.	12½%
Bank of Scotland	12½%	National Bk. of Kuwait	12½%
Banque Belge Ltd.	12½%	National Girobank	12½%
Barclays Bank	12½%	National Westminster	12½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	12½%
Brit. Bank of Mid. East	12½%	Norwich Gen. Trust	12½%
■ Brown Shipley	12½%	People's Trust	13 %
CL Bank Nederland	12½%	PK Finans. Intl. (UK)	13 %
Canada Permanent	12½%	Provincial Trust Ltd.	13½%
Cayzer Ltd.	12½%	R. Raphael & Sons	12½%
Cedar Holdings	12½%	Roxburghe Guarantee	13 %
■ Charterhouse Japhet	12½%	Royal Bank of Scotland	12½%
Citibank NA	12½%	Royal Trust Co. Canada	12½%
Citibank Savings	¶12½%	Standard Chartered	12½%
City Merchant Bank	12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13 %	United Bank of Kuwait	12½%
Comm. Bk. N. East	12½%	United Mizrahi Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	12½%
Continental Trust Ltd.	12½%	Whiteaway Laidlaw	13 %
Co-operative Bank	*12½%	Yorkshire Bank	12½%
The Cyprus Popular Bk	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	13½%		
Grindlays Bank	$12½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.70%, 1-month 9.00%. Top Tier—£2,500+ at 3 months notice 12.08%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 9% gross.
¶ Mortgage base rate.
§ Demand dep. 8¾%. Mortgage 13¾%.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE Dlg 01-236 3885

International Growth	123.0	131.5	+1.4	1.00
Income & Growth	46.1	49.0	+0.5	2.90
Special Situations	68.1	72.8	+0.7	2.10
American Growth	29.2	31.1	+0.2	3.10
Japan Growth	34.6	36.8	+0.1	0.80
European Growth	52.0	55.7	+1.5	2.90
UK Growth	44.5	47.6	+0.3	1.30
Pacific Growth	33.3	35.6	+0.1	0.70
High Income	29.5	31.6	+0.1	8.10
Practical Income Units	43.9	46.7	+0.2	2.70
Practical Accum. Units	79.0	84.1	+0.2	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd	71.5	76.1	+0.6	2.77
Accum Units	105.8	112.6	+1.0	2.77
Pearl Inc.	97.5	103.7	+1.1	4.80
Pearl Unit Tst	102.0	109.4	+1.0	3.81
(Accum. Units)	176.2	187.4	+1.8	3.81
Pearl Int Equity	102.9	109.5	+0.8	1.83
(Accum Units)	102.9	109.5	+0.8	1.83

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	219.4	235.5	+2.5	1.40
Income	156.0	166.0	+0.8	5.33
Worldwide Recovery	123.3	132.4	+1.4	2.12
American Growth	59.1	63.5	+0.7	1.08
Intl. Emerging Cos.	66.0	71.7	+0.8	0.72
Far East Growth Fd.	52.2	56.0	+0.5	1.16

Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc.	49.9	53.1	+0.5	4.57
Prolific Far East	113.0	121.5	+1.2	0.30
Prolific Extra Inc.	67.9	73.0	+0.5	4.57
Prolific C'vert & Gilt	82.7	87.7	+0.6	7.10
Prolific High Inc.	144.8	155.5	+1.1	4.84
Prolific Intl.	90.1	96.9	+0.9	1.77
Prolific N. Amer	122.3	131.5	+1.9	2.09
Prolific Spec. Sits	156.4	165.9	+1.9	1.33
Prolific Technology	104.6	112.5	+1.4	0.66

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	190.8	203.2	+1.2	2.36
(Accum. Units)	214.3	228.2	+1.4	2.36
(Withdrawal Units)	138.1	147.1	+0.9	2.36
Australian Fund	113.0	120.3	+1.3	0.96
(Accum. Units)	114.2	121.6	+2.3	0.96
British Fund	479.1	510.9	+3.7	4.59
(Accum. Units)	636.5	680.0	+4.9	4.59
European Fund	228.0	242.8	+2.7	1.01
(Accum. Units)	240.1	255.7	+2.9	1.01
Japan Fund	213.0	226.8	+1.5	0.37
(Accum. Units)	213.6	226.7	+1.5	0.37
Smits PPP	143.6	151.2	-1.9	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst	332.1	353.3	+2.5	2.80
North America	50.8	54.0	+0.4	1.84
Far East	54.6	58.0	+0.4	0.95

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc.	25.1	26.7	+0.2	1.9
American Income Acc.	25.6	27.2	+0.2	4.7
American Income Inc.	25.3	26.9	+0.9	4.0
European Growth Acc.	41.6	44.3	+1.1	2.0
Far East Growth Acc.	28.6	30.4	+0.1	0.8
Far Growth Acc.	27.9	29.7	+0.3	0.8
Japan Growth Acc.	34.7	36.9	+0.4	0.3
UK Growth Acc.	29.1	31.0	+0.2	2.4
UK Income Acc.	27.0	28.7	+0.3	4.4
UK Income Inc.	26.1	28.0	+0.3	4.5
Managed Growth Acc.	32.0	34.0	+0.3	2.2
Managed High Yield Inc.	32.8	34.9	+0.1	6.7
Managed Income Inc.	27.8	29.6	+0.3	4.2

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	239.5	253.4		3.70
Equity Acc.*	288.3	305.0		1.78
Fixed Int. Dist.†	115.1	119.2	..	11.35
Fixed Int. Acc.†	168.9	175.0		11.35

*Prices on Jan 8. Next dealing Feb 22
†Prices on Jan 2. Next dealing Feb 5

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INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$14.20	+0.11	—

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$14.98	+0.19	—

Inv. Adv. M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	£11.64	+0.04	—
Dynamic Gwth Fd	410.87	+0.07	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$10.01	11.09	

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.25			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.49	8.59	12.56	Mth
7-day Fnd	11.41	8.53	12.47	Mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.09	8.29	12.09	6-Mth
7-day Fund	11.23	8.39	12.24	6-Mth
Dollar	9.94	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Call Acc.	11.50	8.59	12.51	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	11.75	8.78	12.77	Qtr
Mth. Int. Chq.	11.75	8.78	13.06	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HiBCA	13.00	9.72	14.52	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	12.11	9.06	13.53	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	12.25	9.125	13.49	Qtr

NOTES

... a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	28
BAT	26
BOC Grp	27
BSR	8
BTR	33
Babcock	13
Barclays	33
Beecham	30
Blue Circle	50
Boots	18
Bowaters	30
Brit Aerospace	32
Brit. Telecom	17
Brown (J.)	3½
Burton Ord	45
Cadburys	13
Charter Cons.	18
Comm Union	23
Courtaulds	13
Distillers	36
FNFC	12
Gen Accident	55
Gen Electric	14
Glaxo	100
Grand Met	30
GUS 'A'	70
Guardian	60
GKN	20
Hanson Tst.	18
Hawker Sidd.	34
ICI	42
'Imps'	16
Jaguar	27
Ladbroke	27
Legal & Gen	80
Lex Service	24
Lloyds Bank	55
Lucas Inds.	58
Marks & Spencer	13
Metal Closures	13
Midland Bk.	35
NEI	10
Nat West Bk.	55
P & O Dfd	35
Plessey	14
Polly Peck	21
Racal Elect.	15
RHM	12
Rank Org Ord	35
Reed Intnl	60
Sears	11
TI	35
Tesco	24
Thorn EMI	34
Trust Houses	12
Turner Newall	9½
Unilever	90
Vickers	35
Property	
Brit Land	14
Land Secs.	26
MEPC	26
Peachey	24
Samuel Props	15
Oils	
Brit. Oil & Min.	3½
Brit Petroleum	45
Burmah Oil	27
Charterhall	4
Premier	5
Shell	55
Tricentrol	12
Ultramar	18
Mines	
Cons Gold	40
Lonrho	12
Rio T Zinc	58

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Fresh jitters in oil market

By Max Wilkinson

OIL prices fell sharply on the European market yesterday, on renewed anxiety about the imbalance between world supply and demand.

The price of Brent crude for delivery in February fell by 72.5 cents during the day to $22.60 with Brent crude for April delivery down to $20.20.

One London tradsr said: "It has been a desperate day, with quite heavy trading, and a great cloud hanging over ths market.

"We were just beginning to think we were getting rid of January oil when the market started looking ahead to February. It is clear that there is going to he a lot of nil around.

"All the output from the North Sea will still be there, while there is a swelling volume of netback crude oil sales which is going etraight through into the refineries."

Traders believe that Saudi Arabia is now producing about 5m barrels a day, whicb is about 15 per cent more than its quota of 4.35m b/d agreed with its Opec partners.

ITC attacked

By Stefan Wagstyl

INTERNATIONAL Tin Council members — notably West Germany and France—were yesterday fiercely ettacked in a statement issued by Mr Ralph Keatenbaum, joint managing director of Gerald Metals, coanthor of the latest plan to rescue the tin market.

● Arab Banking Corporation said yesterday that the aim nf its court sction this week against the International Tin Council, was to protect its rights against the ITC, particularly in the light of the latest proposals for the settlement of the crisis, which provide for the transfer of the assets of the ITC to a new company without any provision for non-participating creditors.

The bank specifically limited the extent of the relief it sought in its injunction (which failed because of the ITC's plee of immunity) to allow settlement negotiations and the implementation of any proposals to proceed.

Gold springs into action

BY STEFAN WAGSTYL

THE gold markst which has been increasingly active in recent weeks saw its liveliest day for many months yesterday as prices soared ahead and then fell back in hectic trading.

In London, ths gold price climbed from its opening price of $342.25 an ounce to a momentary peak of nearly $380 before falling back to close $15.75 higher at $362.00. The day's trading followed tha same violent course in Zurich and in New York. Some US dealers were at their desks by 4 am to trade with the Europeans.

The gold price rise prompted increases in silver and platinum and sparked off the biggest single day's rise in South African gold shares for more than two years, taking the FT Gold Mines index up 37.2 to 348.8.

The market abounded with theories as to why gold has risen to an 18-month high. There were rumours, later denied, that tha Japanese government was buying metal to prepare for the suggested issue of a gold coin to mark the 60th anniversary of the coronation of Emperor Hirohito. Several traders reported demand for gold from the Middle and Far East.

Trsders said that in recent weeks this demand for physical metal in the London and Zurich markets has supported more broadly-based buying in the futures markets, especially on Comex in New York.

More generally, traders say that investors in many countries have turned to gold since the New Year in response to recent falls on Wall Street and other equity markets. Also investors holding US dollars have been concerned about a possible further fall in the dollar. This has been reinforced this week hy fears that the G5 group of leading industrial countries might orchestrate s joint cut in interest rates, following a ministerial meeting in London this weekend.

The violence of yesterday's trading indicates that the price surge caught the markets by surprise — traders said that a lot of the activity was accounted for hy dealers themselves covering short positions.

The market was divided ahont what might happen next. "This is just a seasonal fling," said one trader. But another said that this price surge had a few weeks yet to run.

Silver prices responded strongly to gold yesterday — climbing from 610.2 cents an ounce in London to a peak 640 cents before falling back to close at 631 cents. Platinum, which has sometimes led the precious metals recently, followed gold climbing as high as $390 an ounce before closing at $376.00 up $10.25.

China may increase copper imports

BY STEFAN WAGSTYL

CHINA IS likely to increase imports of copper concentrates and of refined copper over the next five years, says the Commodities Research Unit, the London-based research company.

In a study* of the Chinese copper industry, CRU estimates that in 1985 China consumed some 350,000 to 400,000 tonnes of refined copper. Domestic refined copper production was some 300,000 tonnes, leaving a gap filled by imported refined metal.

Over the next five years, domestic refined production is expected to increase modestly. Mine production is expected to rise more slowly, so CRU believes there will he a growing deficit, met by increased imports of copper concentrate, to feed Chinese smelters, and of refined copper.

CRU points out that in the last few years China has imported concentrate and refined metal in excess of its annual needs — buying from abroad some 300,000 to 350,000 tonnes of concentrate last year and about 150,000 tonnes of refined copper.

Some of the imported concentrate has been stockpiled to supply a new smelter due to start up soon at Gulxi, in Kiangsi province, at the heart of China's largest copper producing area in Eastern China. A refinery is also being built on the site, and another one being expanded at nearby Tongling, in Anhui province, says CRU. industry.

With no new mine capacity scheduled to come on stream until 1990 China will remain e significant importer of concentrates at least until the end of the decade, says CRU.

CRU says that the development of the copper industry is not a major objective of the Chinese Government, which is concentrating on the development of agricolture and light industry.

● The Commodity Exchange of New York, Comex has pnt forward plans for a new high grade copper futures contract.

The proposals have been sent for approval to the Commodity Futures Trading Commission (CFTC), which is already considering a similar proposals from the Midamerica Exchange in Chicago. This follows sustained pressure from copper producers.

The London Metal Exchange, the world's premier metals market, has traded a higher grade contract since 1981, when its wirebars contract wae re-named high grade. Later this year a new even higher grade contract is being launched.

The new US contracts are unlikely to he traded until the second half of 1986 at the earliest.

*Copper Studies Survey—Chino Commodities Research Unit, 31 Mount Pleasant, London. Price $100.

Surinam to sell more alumina

By Canute James in Kingston

SURINAM is to increase sales of alumina to Brazil this year, and has signed an agreement to countertrade raw and refined ore and aluminium with Czechoslovakia.

Mr Win Udenhout, Suriname's prime minister, said Brazil will buy 130,000 tonnes of Surinamese alumina per year from this year.

Andrew Gowers on next week's meeting of producers and consumers

Coffee Pact loses its grip

COFFEE producing and consuming countries meet in London next week in the knowledge that they are virtually powerless to do anything about the recent upsurge on world coffee markets.

At times over the last few turbulent weeks, coffee prices on the London and New York futures markets have risen to their highest level in more than eight years as a result of the recent Brazilian drought which threatens to reduce the country's 1986 coffee crop by about half. This week, the London market has fallen back from highs above £3,000 a tonne to fluctuate around £2,500, but many traders believe further rallies are in store.

As well as higher prices for consumers, this means an earnings bonanza for Brazil, the biggest exporter in normal years, and for the other 49 producing member countries of the International Coffee Organisation. They have not seen the like of the boom since the mid-1970s—and it will be particularly welcome at a time when the prices of nearly all their other principal commodities are severely depressed.

But it also spells the dramatic re-emergence of unbridled market forces in the coffee market, following five years in which the ICO's elaborate array of export controls has been firmly in the driving seat.

The political and economic ramifications of that for everyone involved in the $10bn-plus coffee business — from the US to Uganda — are potentially huge.

It is now all but certain that the coffee export quotas which constitute the International Coffee Agreement's central mechanism for regulating prices will be suspended — either automatically on February 18, or before that if the ICO Executive Board deems that to be necessary at its meeting next week. When they are lifted, several key producers and consumers expect to be operating in a quota-free market for at least two years.

But the significant fact is that nobody seems to think a suspension of quotas will make much difference to the market this year, whether it comes now or next month. Producers are already pumping out as much as they can, and export quotas have been raised to the maximum extent; as a result, there is no immediate shortage of coffee.

"No coffee agreement, no matter how well devised, could handle a situation like the current one in Brazil," said one ICO delegate this week.

"If you have a wave of speculation in the futures market, the agreement is seen as powerless," added another.

The concern reflected in the futures markets focusses on the second half of this calendar year, and on the higher-quality arabica coffee, of which Brazil is a key producer.

The Brazilian harvest begins around June, and — although Brazilian officials are at pains to claim that the country will have no problem with exports between now and the end of the current coffee year in September — many independent observers expect the crop shortfall to make itself strongly felt as early as this July, to say nothing of the effects in 1986-87.

"There will be a shortage of good quality arabicas this coffee year; of that there is no doubt," says Ms Bronwyn Curtis, coffee researcher with Landell Mills Commodities, the London-based consultancy.

She reckons that for domestic consumption and for export, Brazil will need a total of between 12m and 14m bags (of 60 kg each) of arabicas, of which up to 8m should theoretically come from the devastated 1986 crop. It is doubtful, to say the least, whether Brazil will have that much of the right quality available.

Then there is the possibility that frost will strike the Brazilian crop in the key harvesting months, as it has done on a number of occasions in the past. That would turn a modest deficit into a yawning supply gap.

So the question arises: who can make up the shortfall? The parallels with the boom of the mid-1970s are instructive. That, too, resulted from a crop disaster in Brazil — frost rather than drought.

But the picture of world coffee stocks then was radically different. The Brazilian Coffee Institute alone was holding stocks totalling 40m bags, compared with only 2.8m now. The total for Brazil as a whole is said to be a great deal higher, but most of that is in the hands of the growers and traders, who are not likely to be eager to sell in a market expected to rise much further.

The highest single stockholder is Colombia, with 12m bags. But doubts have been raised over the quality of a sizeable chunk of its inventory. And in any case, the country's limited port facilities, with an absolute maximum shipment capacity of 1.3m bags a month, mean that it will not be able to pour its coffee on to the world market at a rate sufficient to fill the gap in supplies.

The position in other arabica producing states — principally those in Central America — is much less clear. But countries such as Costa Rica and Guatemala are known not to have particularly well developed storage facilities, and they have been selling large amounts of coffee over the last couple of years — sometimes at knock-down prices — to countries outside the ICO, such as those in the East bloc.

Even the large amounts of coffee which are supposed to be sitting in European freeports in transit to non-members, or illicitly — to members of the ICO are not seen as providing much relief.

Nobody knows just how short the market will be as the year progresses, but even a relatively small deficit is likely to provide a firm prop to prices for some time to come. Traders say that a Brazilian frost, coming on top of the drought, would really send the market sky-high.

Next week's ICO meeting has two immediate concerns:

● Whether to suspend export quotas immediately, as suggested by Colombia and the principal African coffee exporters. Such a move is not expected, even by its advocates, to have more than a passing effect on the market, but it might be seen as a useful symbolic gesture.

However, some consuming countries would plainly prefer to wait for the normal ICO mechanisms — which as things stand call for the automatic lifting of quotas on February 18 — to run their course. They believe that to suspend quotas too early would set a bad precedent, in that producers might argue for an early reimposition of quotas when prices are eventually on their way down.

● More importantly, whether to retain the ICO's panoply of devices which monitor the market, ranging from the compilation of statistics to the issuing of export stamps and detailed Customs surveillance.

The producers are extremely eager to keep this apparatus in place, to smooth what they hope will be the eventual re-establishment of order in the market. However, some representatives of consuming countries — where the coffee trade and the Customs authorities have become weary of the bureaucracy involved — are keen to return to something as close to free trade as possible.

Some sort of half-way house will probably be found on this issue.

For the longer term, though, the outlook is much less predictable.

The producers are full of pious talk at present about their worries for the health of the coffee pact and for future coffee consumption, if prices stay high. There is plenty of justification for this: consuming countries have been increasingly critical of aspects of its operations for many months.

Last year, the US, which as the largest consumer is a pivotal member, voted against the ICO's agreement on export quotas for the first time, and it has made it known that it is reviewing its position on the pact.

In addition, the Reagan Administration needs to renew the legislative authority for its Customs controls on coffee in the next few months. There may be a temptation in parts of the government and Congress — which is an ideological foe of commodity agreements in general — to see the dramatic price rise as the final straw.

However, such worries on the part of producers almost certainly pale into insignificance alongside the tremendous contribution which the coffee boom is making towards their hard-pressed economies.

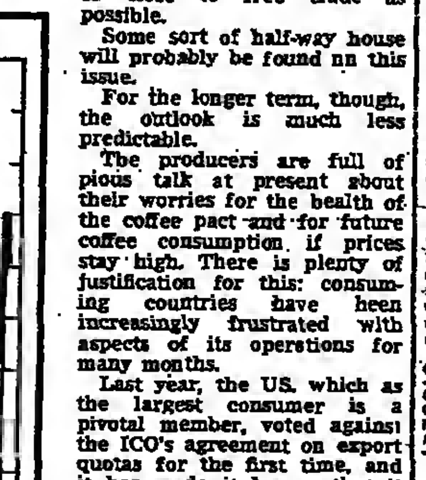
Even Brazil can make up what it has lost in export volume this year through higher prices. It stands to earn $4bn from its coffee sales in 1986, compared with only $2.8bn from last year's bumper crop.

Colombia and the others are rubbing their hands with still greater glee, and more than a touch of Schadenfreude. They see a prospect of boosting their market share at the expense of a producer whose dominance in coffee they have long resented.

Above all, their eyes are firmly fixed on the next time the ICO negotiates the distribution of quotas among members. The more they can export now, the more sales they think they will be allocated then.

If prices eventually collapse under the weight of increased supplies—as they did in the late 1970s—then so be it. There will always be the safety net of reintroduced quotas to catch them on the way down. Or so they hope.

THE London robusta futures market spent another nervous day yesterday, with the March contract fluctuating over a £170 range to close down £77.50 on the day at £2,475 a tonne. The fall from recent highs has been precipitous—one trader described the market yesterday as "shell-shocked"—but it is largely seen as a technical reaction to recent highs. Robusta prices, based on the coarser coffees principally produced in Africa, have risen less strongly in proportionate terms than arabica values over the last few weeks, and the London market has often moved in sympathy with New York.



LONDON MARKETS

GASOIL FUTURES plunged yesterday to their lowest level since the contract was introduced on the International Petroleum Exchange in April 1981. The March contract closed at $190.25 per tonne, down $12.25 on the day in volume of 4,500 lots. The drop mainly reflected developments in the crude oil spot market, where Brent prices were sharply lower on the basis of renewed worries over supply exceeding demand, and on the New York Mercantile Exchange (Nymex), where energy futures went limit down. On the London Metal Exchange, base metals were generally quiet, although lead touched its lowest level in more than nine years at one point in the afternoon and nickel was also lower on the day. Cash lead closed at £252.50 a tonne, down £3.50, while cash nickel finished at £2,795 a tonne, down £37.50. The cocoa and sugar futures markets were quietly lower.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	801.5-2.5	+1	—
3 months	829-30	+1.75	834/812.5

Official closing (am): Cash 801.5-2.5 (795-6), three months 829-30 (822-3), settlement 802.5 (796). Final Kerb close: 832-33. Turnover: 15,875 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/low
Cash	998-9	+1	999.5/995
3 months	1024.5-5	+0.5	1028.5/1024

Official closing (am): Cash 998-1,000 (997-5), three months 1,024-.5 (1,025.5-6), settlement 1,000 (997.5). Final Kerb close: 1,025-.25.

Cathodes			
Cash	983-5	-1.5	—
3 months	1013.5-4	-1.5	—

Official closing (am): Cash 983-5 (983-5), three months 1,013-5 (1,014-6), settlement 985 (985). Turnover: 34,250 tonnes. US Producer prices 685-74 cents a pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	252-.5	-2	[illegible]
3 months	264-.5	-2	266/261

Official closing (am): Cash 252.25-.5 (256.75-7), three months 264-.5 (267.25-.5). settlement 252.5 (257). Final Kerb close: 261-62. Turnover: 14,875 tonnes. US Spot: 18.25-20 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	2790-800	-37.0	2801/2821
3 months	2870-5	-32.5	2910/2865

Official closing (am): Cash 2,801-2 (2,810-20), three months 2,880-2 (2,889-90), settlement 2,802 (2,820). Final Kerb close: 2,885-70. Turnover: 2,442 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	439-40	+5.75	—
3 months	452.5-3	+1.25	458/440

Official closing (am): Cash 440-1 (436-7), three months 454-5 (448.5-9), settlement 441 (437). Final Kerb close: 454-56. Turnover: 9,450 tonnes. US Prime Western: 33-33.75 cents a pound.

GOLD

Gold rose sharply in the London bullion market yesterday but finished some way below the day's highs on profit-taking. It opened at $351-351½ and rose to a high of $379-379. Both the morning and afternoon fixings were prolonged, in view of the renewed interest in gold, and it closed at $361-362, a rise of $15¾. Despite an afternoon retreat from the day's highs, sentiment remained bullish and dealers were confident that the metal would move higher, having touched an 18-month high during the day.

GOLD BULLION (fine ounce)	Jan. 16	
Close	$361-362	[illegible]
Opening	$351-351½	[illegible]
M'n'g fix	$359.50	[illegible]
Aft'n'n fix	$363.00	[illegible]

GOLD AND PLATINUM COINS		
Kr'g'rnd	[illegible]	[illegible]
½ Krug	[illegible]	[illegible]
¼ Krug	[illegible]	[illegible]
1/10 Krug	[illegible]	[illegible]
Mapleleaf	[illegible]	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
½ New Sov.	[illegible]	[illegible]
20 Eagle	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]

SILVER

Silver was fixed 12.4p an ounce higher for spot delivery in the London bullion market yesterday at 437.45p. US cent equivalents of the fixing levels were: spot 631c, up 20.8c; three-month 642.2c, up 20.9c; six-month 654.15c, up 20.7c; and 12-month 679.9c, up 20.65c. The metal opened at 426-428p (618-618c) and closed at 432-435p (622-625c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	437.45p	+12.4	429.5p	+8.5
3 months	449.85p	+12.6	442.5p	+8.5
6 months	463.10p	+12.4	—	—
12 months	488.60p	+11.0	—	—

LME—Turnover 67 (24) lots of 10,000 ounces.

Three months high 455p, low 428p. Final Kerb 440-41p.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 99.40p per kg lw (−1.95). GB—Sheep 184.80p per kg est dcw (−17.70). GB—Pigs 73.52p per kg lw (−1.45).

Fresh buying and short-covering pushed prices higher in heavier trade. Physical prices remained steady, reports Eastern Capital CIFT.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Feb.	102.60	101.60	[illegible]
Apr.	102.60	101.60	[illegible]
June	100.60	99.80	[illegible]
Aug.	99.50	98.50	[illegible]
Oct.	105.20	104.60	[illegible]
Nov.	106.00	105.00	[illegible]

Sales: 154 (53) lots of 00 carcases. 3,250 kg.

INDICES

FINANCIAL TIMES

Jan. 16	Jan. 15	M'th ago	Year ago
—*	—*	—*	297.42

(Base: July 1 1952=100)

REUTERS

Jan. 16	Jan. 15	M'th ago	Year ago
1847.7	1864.4	1781.3	1903.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Jan. 15	Jan. 14	Month ago	Year ago
Spot	132.79	132.06	—	131.07
Fut.	136.28	135.90	—	134.94

(Base: December 31 1931=100)

* Not available due to suspension of tin LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Jan. 16 1986	+ or —	Month ago
METALS			
Aluminium			—
Free Mkt.	$1225/245	+10	$1120/40
Copper			
Cash h Grade	£998.0	+1.0	£984.5
3 mths	£1024.75	+.5	£1008.25
Gold Troy oz.	$362.00	+15.75	$325.25
Lead Cash	£255.5	−3.5	£273.75
3 mths	£264.25	−2.0	£290.25
Nickel			
Free Mkt.	19/£203c	−1	189/208c
Palladium oz.	$107.50	+3.25	$94.50
Platinum oz.	$375.00	+10.25	$335.25
Quicksilver†	$220/240		$260/270
Silver troy oz.	437.54p	+15.40	409.55p
3 months	449.65p	+13.60	420.55p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$56.92		$59.74
Wolfram 22.0lb	$55/61		$56.64
Zinc	£439.5	+6.75	£495.5
3 months	£452.75	−8.25	£499.5
Producers	$880/700		$880/700
OILS			
Coconut (Phil)	$370v	−15	$480
Palm Malayan	$340z	−10	$400
SEEDS			
Copra Phil	$250v	−15	$345
Soyabean (U.S.)	$227.25v	+5.5	$220.0
GRAINS			
Barley Fut. Mar.	£116.65	+0.20	£114.50
Maize	£141.00	−0.30	£142.25
Wheat Fut. Mar.	£117.25	−0.05	£115.75
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1704.5	−5.5	£1741.5
Coffee Ft. Mar.	£2475	−77.5	£2625
Cotton A index	68.00c	+0.35	65.65c
Gas Oil Mar.	$190.25	−12.25	[illegible]
Rubber (kilo)	62p		62.5p
Sugar (raw)	$117.5w	−2.0	$135.0
Wooltops 64s	480p kilo		487p kilo

‡ Unquoted. † Per 75-lb flask. c Cents per pound. v Jan-Feb. z Feb.

COCOA

After opening lower, as expected, futures eroded further in thin conditions. A minor rally was short-lived and prices drifted lower. Origins were withdrawn on actuals but some industry offtake was noted, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	1703-1705	−1.5	1707-1698
May	1704-1705	−5.5	1715-1697
July	1728-1730	−8.0	1738-1725
Sept	1745-1748	−10.0	1757-1744
Dec	1765-1765	−11.0	1771-1764
March	1775-1782	−9.5	1785-1776
May	1790-1800	−4.0	1800

Sales: 2,263 (2,935) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for January 16 104.82 (105.24); five-day average 104.27 (105.64).

COFFEE

The market continued to trade in an extremely volatile manner with a price range of £170. The market opened £100 lower with trade and commission house selling. Overseas buying pulled levels up to the highs in relatively light volume. New York failed to match up and London plummeted. With no fresh news, the market continued to trade erratically, reports Drexel Burnham Lambert.

COFFEE	Yesterday's close	+ or —	Business Done
Jan.	[illegible]	[illegible]	[illegible]
March	[illegible]	−77.5	[illegible]
May	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

Sales: 10,002 (10,580) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for January 15: Comp. daily 1979 222.20 (221.70); 15-day average 213.54 (213.67).

FREIGHT FUTURES

The market opened on an easier note and lost ground over the day, albeit in quiet trading conditions. There was no fundamental reason for the losses although liquidation was evident in the April position, reports Clarkson Wolff. The Baltic Freight Index was down 3.5. The Tanker Freight Index was 875, up 4.0.

	Close	High/Low	Prev.
Jan.	[illegible]	[illegible]	[illegible]
Apr.	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
BFI	[illegible]	[illegible]	[illegible]

Turnover 155 (126).

GRAINS

Old crop wheat was very quiet with cross-trading boosting volume. Values remained 20p up on shipper short-covering but returned to unchanged levels late in the day on profit-taking. Barley was a little steadier in trading. New crop wheat was active with profit-taking and some selling by merchant and shipper buying on the back of the fob markets, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterday's close	+ or —
Jan.	114.65	+0.25	113.95	+0.15
Mar.	117.25	−0.05	116.55	+0.20
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Nov.	[illegible]	[illegible]	[illegible]	[illegible]

Business done—Wheat: Jan 114.80-4.50, March 117.45-7.20, May 119.70-9.60, July 122.00-2.00, Sept 99.95-9.85, Nov 102.65-2.50. Sales: 133 lots of 100 tonnes. Barley: Jan 114.00-3.90, Mar 116.85-6.45, May 118.00-7.70, Sept untraded, Nov 102.50. Sales: 111 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No. 1, 14 per cent: Feb 134.85, March 136 sellers, transhipment East Coast. US No. 2 Soft Red Winter: Feb 120, March 116.75 sellers. EEC French: Jan 135 seller. English feed, fob: Jan 116.50-117.00, Feb 118.50-118.00, March 120.00-120.50, April/June 124.00-124.50 buyer/seller, Sept 102.50 sellers. Maize: US No. 3 Yellow/French, transhipment East Coast: Jan 141. Barley: English feed, fob: March 116.50 paid East Coast, Jan 114.50-115.50 buyer/sellers, Feb 117 buyer, March 118.25-119.00 buyer/sellers, April/June 122 seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed Barley: S. East 109.50, S. West 112.40, N. West 108.30. The UK monetary coefficient for the week beginning Monday January 20 will be unchanged.

SUGAR

LONDON DAILY PRICE—Raw sugar $117.50 (£81.50), up 50c (same) a tonne for Jan-Feb delivery. White sugar $180.50, up $1.00.

The market rose during the morning on the strength of gold and other commodities. While New York failed to match up the gains were lost, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	£ per tonne		
Mar.	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

Sales: 1,657 (1,373) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £183.00 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for January 15: Daily price 4.45 (4.48); 15-day average 4.77 (4.80).

PARIS—(FFr per tonne): March 1223-1225, May 1258-1262, Aug 1316-1317, Oct 1362-1378, Dec 1370-1392, March 1460-1482.

US MARKETS

PRECIOUS METALS rose sharply early on rumours that G-5 members at their meeting this weekend would make a concerted effort at reducing interest rates, reports Heinold Commoditiss. The rally ran into stiff producer selling, which tended to encourage profit-taking and helped rednce gains sharply from early highs. Copper came under scattered pressure from long liquidation linked to the market's inability to rally in sympathy with precious metals. Aluminium showed strong gains as fresh buying emerged on a technical basis. Sugar and cocoa were steady as interest concentrated on precious metals. Coffee suffered modest declines on margin liquidation. Cotton attracted light support on fears over tightness to nearby supplies due to lack of cash sales below the loan. Reports of Nigerian netback deals along with good availability of crude oil and products put energy values limit-down. The grain complex traded mixed with wheat firm in the nearby position on reports of export interest. The soyabean complex traded lower in forecasts of rain in Brazil.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	[illegible]	—	—	[illegible]
Feb	[illegible]	—	—	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	—	—	[illegible]
Dec	[illegible]	—	—	[illegible]
Jan	[illegible]	—	—	[illegible]
March	[illegible]	—	—	[illegible]
May	[illegible]	—	—	[illegible]

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	—	—	[illegible]

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	—	—	[illegible]
May	[illegible]	—	—	[illegible]

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

POTATOES

The sell-off continued with April opening £1.20 down and rapidly dropping a further £1.00 before finding support at £95.00. The fall appears to be due to the market's failure to break the £100.00 resistance level and subsequent speculative long-liquidation, as well as a gradual improvement in physical supply, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb.	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Nov.	[illegible]	[illegible]	[illegible]

Sales: 1,447 (818) lots of 40 tonnes.

SOYABEAN MEAL

The market opened unchanged in quiet conditions. Prices firmed on continuous commercial buying, reports T. G. Roddick.

	Yesterday's close	+ or —	Business Done
	£ per tonne		
Feb.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]
Feb.	[illegible]	[illegible]	[illegible]

Sales: 302 (363) lots of 20 tonnes.

OIL

All products were much weaker, taking their cue from crude. Gas oil led other products down. Brent hit a price slide which took Nymex to its lowest permissible limits before recovering to trade around 80c down by 1.30 pm EST, Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Feb.		
Arab Light	[illegible]	[illegible]
Arab Heavy	[illegible]	[illegible]
Dubai	[illegible]	[illegible]
Brent Blend	[illegible]	[illegible]
W.T.I. (1 pm est)	[illegible]	[illegible]
Forcados (Nigeria)	[illegible]	[illegible]
Urals (cif NWE)	[illegible]	[illegible]
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	[illegible]	[illegible]
Gas Oil	[illegible]	[illegible]
Heavy fuel oil	[illegible]	[illegible]
Naphtha	[illegible]	[illegible]

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Feb.	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]
Apr.	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]

Turnover: 4,595 (2,373) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index ($ a barrel). Close, change, business done: Index [illegible]; Feb [illegible]; March [illegible]; April [illegible]; May [illegible].

Turnover: 10 (31) lots of 1,000 barrels.

RUBBER

PHYSICALS—The London market was very firm, with news coming from the East of a shortage of raw materials, reports Lewis and Peat. Closing prices (buyers): spot 59.00 (same); Feb 57.25p (57.00p); March 57.50p (57.25p). The Kuala Lumpur fob prices (Malaysian/Singapore cents per kg RSS No 1 was 183.5 (182.5) and for SMR 20 175 (173).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar steady but cautious

The dollar fluctuated in nervous trading ahead of this weekend's meeting of finance ministers in London. Speculators pushed the dollar weaker initially, acting on comments by the West German finance minister that a co-ordinated policy of across the board interest rate reductions would be one of the items on this weekend's agenda. However there was some scepticism in view of recent projections that the US economy showed signs of picking up and that despite several opportunities, the US authorities had refrained from cutting the discount rate.

News of a 0.7 per cent rise in US industrial production compared with a revised rise in November helped to confirm recent market sentiment that the US economy may be showing a respectable growth rate despite the absence of a fall in the discount rate.

The dollar closed at $2.4660 from DM 2.4625 and Y202.35 unchanged from Wednesday. Against the Swiss franc it rose to SFr 2.0840 from SFr 2.0820 and FFr 7.57 compared with FFr 7.5550. On Bank of England figures, the dollar's exchange rate index was unchanged at 125.9.

£ IN NEW YORK (LATEST)

	Jan. 16	Prev. close
£ Spot	$1.4365-1.4375	$1.4430-1.4440
1 month	0.56-0.55pm	0.56-0.55pm
3 months	1.65-1.60pm	1.65-1.02pm
12 months	5.60-5.45pm	5.60-5.50pm

Forward premiums and discounts apply to the U.S. dollar

Sterling's exchange rate index finished unchanged from Wednesday's close at 78.0. It was virtually unchanged from this level throughout the day with the market showing considerable reluctance to establish a definite trend in view of recent action by the Bank of England and this weekend's meeting of G5 finance ministers. The threat of lower oil prices appeared to be losing its power as a speculative instrument since oil prices are already considerably down from levels seen at the beginning of the year. Interest rates were marginally easier, reflecting a reduction in tension surrounding the pound.

Against the dollar sterling traded within a very narrow range of $1.4455-1.4375 before closing at $1.4380-1.4390, a fall of 35 points from Wednesday's close. It was also weaker in terms of the D-mark at DM 3.5475 from DM 3.5500 and Y291.00 compared with Y291.75. Against the Swiss franc it fell to SFr 2.9975 from SFr 3.0025 and FFr 10.89 from 10.8950.

D-MARK — Trading range against the dollar in 1985-86 is 3.4510 to 2.4375. December average 2.5120. Exchange rate index 131.6 against 123.9 six months ago.

The D-mark was little changed against the dollar in Frankfurt yesterday with the US unit finishing at DM 2.4640 from DM 2.4665. Earlier in the day it had been fixed without Bundesbank intervention at DM 2.4550 from DM 2.4690 on Wednesday. There was still considerable speculation ahead of this weekend's meeting of finance ministers in London but there was little incentive to take out fresh positions in view of current uncertainty.

Meanwhile, within the EMS, the Italian central bank announced measures to curb speculation over the possibility of a near term devaluation in the lira by increasing short term Treasury bill rates.

POUND SPOT—FORWARD AGAINST POUND

Jan 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4375-1.4465	1.4380-1.4390	0.55-0.52c pm	4.46	7.64-1.59pm	4.49
Canada	2.0146-2.0312	2.0189-2.0232	0.43-0.34c pm	2.29	7.34-1.19pm	2.60
Nethlnd.	3.98½-4.00	3.98½-3.99½	2½-2¼c pm	7.13	7-6¾pm	6.83
Belgium	72.26-72.51	72.40-72.50	20-12c pm	2.65	50-36pm	2.43
Denmark	12.93¾-12.98¾	12.96¾-12.97¾†	4⅛-3½ore pm	3.41	11⅞-10¾pm	9.49
Ireland	1.5410-1.1640	1.1625-1.1635	0.02-0.24p dis	−1.34	0.08-0.46dis	−0.93
W. Ger.	3.53¾-3.55¾	3.54¾-3.55¾	2½-2¼pf pm	8.03	7⅛-6¾pm	7.75
Portugal	226.72-228.72	226.93-228.53	125-420c dis	−14.39	385-1185dis	−13.81
Spain	220.75-221.69	221.39-221.69	30c pm-25dis	−0.14	5-95dis	−0.90
Italy	2414-1422¾	2417-2418	6-12 lire dis	−4.47	20-28dis	−3.97
Norway	10.91½-10.94½	10.92½-10.93½	⅛-⅞ore dis	−0.55	pm-½dis	−0.14
France	10.85¾-10.89½	10.88½-10.89½	2⅞-2c pm	2.69	1½-par pm	0.28
Sweden	10.96-10.99¼	10.96¾-10.97¼	par-⅞ore dis	−0.48	1½-¼pm	0.25
Japan	290½-292	290½-291½	1.90-7.30y pm	6.77	4.40-4.10pm	5.84
Austria	24.86-24.93	24.89-24.92	13½-12¼gro pm	0.17	38½-36½pm	6.09
Switz.	2.98-2.30¼	2.99¼-2.30¼	2¼-2c pm	9.51	6½-6¼pm	8.42

Belgian rate is for convertible francs. Financial franc 73.45-73.55. Six-month forward dollar 3.20-3.15c pm 12-month 5.70-5.55 pm. † Correction (Jan. 15): Denmark close was 12.98¾-12.99¾.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Jan 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4375-1.4465	1.4380-1.4390	0.55-0.52c pm	4.46	1.64-1.59pm	4.49
Ireland†	1.2370-1.2502	1.2375-1.2390	0.70-0.50c pm	5.79	1.85-1.50pm	5.39
Canada	1.3970-1.4070	1.4015-1.4020	0.24-0.27c dis	−2.10	0.68-0.73dis	−2.01
Nethlnd.	2.7515-2.7775	2.7735-2.7745	0.57-0.54c pm	2.41	1.61-1.58pm	2.31
Belgium	50.06-50.40	50.30-50.40	5-10c dis	−1.92	24-30dis	−2.15
Denmark	8.96½-9.02¾	9.01½-9.02	par-⅛ore dis	−0.42	⅛-⅞dis	−0.25
W. Ger.	2.4485-2.4665	2.4655-2.4665	0.77-0.72pf pm	3.64	2.10-2.05pm	3.38
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.05-51.15.

EXCHANGE CROSS RATES

Jan 16	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Jan. 14	Short term	7 Days notice	Month	Three Months	Six Months	One Year
Sterling	[illegible]					
U.S. Dollar	[illegible]					
Can Dollar	[illegible]					
D Guilder	[illegible]					
Sw. Franc	[illegible]					
Deutschmark	[illegible]					
Fr. Franc	[illegible]					
Italian Lira	[illegible]					
B.Fr.(Fin)	0¾-10	9¾-10	0¾-10	9¾-10	9⅜-9¾	9¼-0½
B.Fr.(Con)	0½-0¾	0¾-10¼	10-10½	10¼-10¾	0⅞-10⅜	0¼-9¾
Yen	7⅛-7⅞	7-7⅛	2⅞-7	6⅛-6⅛	6⅛-6⅛	6⅛-5⅞
D. Krone	8¾-9¼	9-0½	8⅞-9⅜	8⅞-9⅜	8⅞-0⅜	8⅞-0⅜
Asian $ (Sng)	8⅛-8⅛	8⅛-8¼	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8¼-8⅜

Long-term Eurodollars: two years 8¾-9 per cent; three years 9-9¼ per cent; four years 9¼-9½ per cent; five years 9½-9¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FINANCIAL FUTURES

Active trading

Turnover remained active on the London International Financial Futures Exchange yesterday, in nervous conditions ahead of the Group of Five finance ministers meeting in London this weekend.

Wednesday's comments from the West German economics minister about possible agreement by the Group of Five to a co-ordinated reduction in the general level of interest rates, created some enthusiastic demand for short sterling and gilt futures yesterday morning, but the market soon became confused by uncertainty over the prospects for interest rates and the political situation in Britain.

Three-month sterling deposits for March opened at 87.20, and early buying took the contract up to a peak of 87.35, before rumours about the Westland affair, particularly centring on the position of Mr Leon Brittan, the Trade and Industry Secretary, led to confusion and a fall back to 87.10, before closing at 87.16 compared with 87.10 on Wednesday.

Short covering helped the contract recover towards the close, but the trend in sterling denominated contracts was generally weak after lunch, following denials from Washington about a likely Group of Five accord over interest rates.

Long-term gilts for March delivery opened firm at 109-28, and rose to 109-20 on buying by jobbers. In nervous late trading jobbers were also seen in the market as sellers, and the contract fell to 108-17, before closing just above the day's low at 108-18, against 108-14 previously.

Dollar denominated interest rate contracts also traded nervously and erratically, because of confusion over the prospects for interest rates, but gained some support from a rise of 0.7 per cent in US December industrial production, which was towards the lower end of most forecasts.

CURRENCY MOVEMENTS

Jan. 16	Bank of England Index	Morgan Guaranty Change %
Sterling	78.0	−13.2
U.S. dollar	125.9	+16.5
Canadian dollar	80.4	−11.8
Austrian schilling	122.2	+6.3
Belgian franc	93.1	−9.2
Danish Kroner	83.2	−2.6
Deutsche mark	131.6	+12.1
Swiss franc	161.0	+12.0
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Jan 16	£	$
[illegible]		
S.Af. (Fn)	4.1185-4.9405	2.8570-2.9415
U.A.E.	5.2825-5.2880	3.5725-3.5735

* Selling rate.

CURRENCY FUTURES

[illegible]

CURRENCY RATES

Jan. 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.760527	0.516692
U.S.$	7½	1.09592	0.889270
Canadian $	10.21	*	1.24409
Austria Sch.	4	18.9126	15.3488
Belgian Fr	9¾	54.9850	44.5960
Danish Kr	7	9.83588	7.99187
D'mark	4	N/A	2.12971
Guilder	5	3.03023	2.45899
French Fr	8½	N/A	0.69931
Lira	16½	N/A	1489.53
Yen	5	221.759	170.766
Norway Kr	2	8.30707	5.73253
Span'h Pta	—	168.052	156.370
Swedish K	9½	8.32187	6.76245
Swiss Fr	4	2.27406	1.84650
Greek Dr'ch	20½	163.895	132.688
Irish Punt	—	0.881312	0.715135

*CS/SDR rate for January 15: 1.53896.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.5969	−0.52	+1.06	±1.5425
Danish Krone	0.12857	7.99187	−1.68	−0.11	±1.6421
German D-mark	2.23840	2.18271	−2.49	−0.92	±1.1455
French Franc	0.88422	6.69931	−2.40	−0.83	±1.3654
Dutch Guilder	2.52208	2.45892	−2.50	−0.93	±1.5162
Irish Punt	0.724578	0.715135	−1.30	+0.27	±1.6673
Italian Lira	1520.00	1489.53	−2.04	−1.51	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

CHICAGO — US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4310	1.4340	1.4305	1.4320
June	1.4147	1.4185	1.4147	1.4156
Sept	1.4015	—	—	1.4015

Estimated volume 60 (45)
Previous day's open int 1,960 (—)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.4084	0.4102	0.4080	0.4096
June	0.4113	—	—	0.4131

Estimated volume 14 (15)
Previous day's open int 184 (—)

STERLING INDEX

	Jan 14	Previous
8.30 am	77.9	78.1
9.00 am	78.0	78.0
10.00 am	78.0	78.0
11.00 am	78.0	78.0
Noon	77.9	78.0
1.00 pm	78.0	78.0
2.00 pm	77.9	78.0
3.00 pm	77.9	78.0
4.00 pm	78.0	78.0

LIFFE £/$ OPTIONS; LONDON SE £/$ OPTIONS; PHILADELPHIA SE £/$ OPTIONS; LIFFE—EURODOLLAR OPTIONS

[illegible]

MONEY MARKETS

London rates continue to ease

Interest rates were slightly easier in nervous trading on the London money market, as trading continued to be influenced by hopes of co-ordinated action by the major central banks to reduce the level of world interest rates. The situation became confused, as rumours and denials circulated, and dealers were reluctant to commit themselves ahead of the weekend Group of Five meeting in London, where there may be some move towards lower rates, according to recent comments by the West German economics minister.

Three-month interbank eased to 12 13/16-12 11/16 per cent from 12⅞-13 per cent, while discount houses buying rates for three-month bank bills fell to 12¼-12 3/16 per cent from 12⅜ per cent.

The Bank of England initially forecast a money market shortage of £300m, but revised this to £400m at noon, and to £450m in the afternoon. Total help on the day was £360m.

Before lunch the authorities bought £36m bank bills outright, in band 2, at an unchanged rate of 12 7/16 per cent.

In the afternoon another £324m bills were purchased outright, by way of £39m Treasury bills in band 1 at 12½ per cent; £62m bank bills in band 1 at 12½ per cent; £217m bank bills in band 2 at 12 7/16 per cent; £1m bank bills in band 3 at 12⅜ per cent; and £5m bank bills in band 4 at 12 5/16 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £729m, with Exchequer transactions absorbing £70m, a rise in the note circulation £15m, and bank balances below target another £10m. These were partly offset by the £546m bills purchased by the Bank of England on Tuesday, for settlement yesterday. A similar number of bills were bought for settlement today.

In Stockholm the Bank of Sweden cut its discount rate by 1 per cent to 9½ per cent from today. Interest on priority bonds is reduced to 11 per cent from 11½ per cent. The interest rate scale for borrowing from the central bank is unchanged. The lowest at which banks can borrow, equivalent to 25 per cent of their own capital, remains at 10½ per cent. Following alterations to banking regulations made on December 9, yesterday's changes uncoupled the discount rate from market rates, in line with recent comments made by the governor of the Bank of Sweden.

UK clearing banks base lending rate 12½ per cent since January 9

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9-9¾
Fed funds	7¾
Fed funds at intervention	8½
Treasury Bills & Bonds	
One month	7.09
Two month	7.24
Three month	7.40
Six month	7.64
One year	7.83
Two year	8.22
Three year	8.50
Four year	8.66
Five year	8.84
Seven year	9.14
10 year	9.33
30 year	9.46

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 16)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/16	offer 8 5/16	bid 8 1/16	offer 8 5/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Jan. 16	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11-15½	12 12⅛	12⅝-12⅞	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	12⅝-12⅝	[illegible]	[illegible]	[illegible]
Local Authority Depos	12-15¼	11¾-12¼	13 1/16	[illegible]	[illegible]	[illegible]
Local Auther'y Bonds	—	—	13⅛	[illegible]	[illegible]	[illegible]
Discount Mkt Depos.	10-19¼	10¾-11	12⅝	[illegible]	[illegible]	[illegible]
Company Depos	11⅛-12	12-12½	12⅞	[illegible]	[illegible]	[illegible]
Finance Hse Depos	—	—	12 11/16	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	12½-12⅜	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	12 7/16-12⅜	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	13⅛	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	5.05-8.10	[illegible]	[illegible]	[illegible]
SDR Linked Depos	—	—	7½-8⅛	[illegible]	[illegible]	[illegible]
ECU Depos	—	—	0⅛-0¼	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 12¾ per cent; three-months 12⅛ per cent. Bank Bills (sell): one-month 12¾-12¾ per cent; three-months [illegible]. Treasury Bills: Average tender rate of discount 12.[illegible]. Finance Scheme IV reference rate December 4 to January [illegible] per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from January 1 1986. Bank Deposit Rates for sums at seven days' notice 6½-6¾ per cent. [illegible]

MONEY RATES

Jan. 16	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard Interv'ntion
Frankfurt	4.40 4.55	4.55-4.80	4.55-4.65	4.5-4.7	4.60 4.75	5.6
Paris	[illegible]					
Zurich	[illegible]					
Amsterdam	[illegible]					
Tokyo	[illegible]					
Milan	[illegible]					
Brussels	[illegible]					
Dublin	[illegible]					

Company Notices

TRANSVAAL GOLD MINING COMPANIES

ADMINISTERED BY ANGLO AMERICAN CORPORATION

FINAL DIVIDENDS—FINANCIAL YEARS ENDED DECEMBER 31 1985

On January 16 1986 dividends were declared in South African currency, payable on March 14 1986 to members registered in the books of the undermentioned companies at the close of business on February 7 1986, and to persons lodging their share warrants to bearer and talons issued by The South African Land & Exploration Company Limited at the office of the United Kingdom transfer secretaries, Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

The transfer registers and registers of members will be closed in each case from February 8 to 21 1986, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about March 13 1986. Registered members paid from the United Kingdom will receive the United Kingdom currency equivalent on February 18 1986 of the rand value of their dividends (less appropriate taxes). Any such members may, however, elect to be paid in South African currency, provided that the request is received at the offices of the transfer secretaries in Johannesburg or in the United Kingdom on or before February 7 1986.

The effective rate of non-resident shareholders' tax for the undermentioned companies is 15 per cent.

The dividends are payable subject to conditions which can be inspected at the head and London offices of the companies and also at the offices of the companies' transfer secretaries in Johannesburg and the United Kingdom.

Name of company (each of which is incorporated in the Republic of South Africa)	Dividend No.	Rate of dividend per share
Elandsrand Gold Mining Company Limited (Registration No. 74/01477/06)	7	78 cents
The South African Land & Exploration Company Limited (Registration No. 01/01879/06)	89	27.5 cents
Vaal Reefs Exploration and Mining Company Limited (Registration No. 05/17354/06)	59	1 100 cents
Western Deep Levels Limited (Registration No. 57/02340/06)	46	420 cents

By order of the boards
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: R. S. Edmunds
Divisional Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(PO Box 61051
Marshalltown 2107) and
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Head Offices:
44 Main Street
Johannesburg 2001
(PO Box 61587
Marshalltown 2107)

London Offices:
40 Holborn Viaduct
London EC1P 1AJ

aac

Johannesburg
January 17 1986

JOINT-VENTURE BAII plc and UNITED GRAIN PRODUCERS

BAII plc and UNITED GRAIN PRODUCERS LTD have the pleasure in announcing the establishment of a joint-venture company UNITED GRAIN TRADERS, the purpose of which is to provide investment and working capital for farming cooperatives.

It will enable the cooperatives to draw on substantial credit lines at advantageous terms for the normal trading cycle of grain.

The new company will be jointly managed by BAII and UGP.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, January 15, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of January 15 at 11.00 a.m.
3 months: 8⅛ 6 months: 8⅛

ECU=$US.884255 SDR1=$US1.09372
Sibor as of January 15 at 11.00 a.m.
3 months: 8⅛ 6 months: 8⅛

COUNTRY	CURRENCY	VALUE OF DOLLAR
[illegible]		

n.a. Not available. (m) Market rate. * US dollars per National Currency unit. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (o) Official rate. [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1985/86 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101	99	Exch. 11¼pc '86	99	+	11.77	12.50
99	96¼	Treas. 10pcCnv 1986	99	+	10.06	12.57
97	92¾	Treas 3pc 1986	97	+	3.08	11.13
100	97½	Exch. 10½pc 1986	99	–	10.57	12.56
101¾	99¼	Treas 12pc 1986	99	–	12.02	12.39
98	94	Treas 8¾pc 1984-86‡‡	98 xd	+	8.65	12.30
105	100	Exch. 14pc 1986	101		13.86	12.48
95	87¾	Exch. 2½pc 1986	95½	+	2.62	8.09
104	100½	Exch. 13¼pc 1987	100 xd	+	13.13	12.25
99	96½	Treas 10¼pcCv '87	98 xd	+	10.44	12.16
93	85½	Exch 2½pc 1987	93	+	2.67	8.71
100	96½	Exch. 10½pc 1987	98	+	10.71	12.30
95	89	Funding 6½pc '85-87‡‡	94	+	6.90	11.41
99	95½	Treas. 10pc 1987	97	+	10.27	12.04
92	84½	Treas 3pc 1987	91½		3.28	9.26
102	99	Treas. 12pc 1987	99	+	12.01	11.99
95	90¼	Treas 7¾pc 1985-88‡‡	93 xd	+	8.28	11.40
100	95	Exch 10½pc '88	97	+	10.78	11.88
98	93	Treas 9¾pc Cv '88	95	+	10.18	11.78
87	80	Transport 3pc '78-88	87	....	3.44	8.84
97	91½	Treas. 9½pc '88	94	+	10.05	11.91
102	97½	Treas 11½pc 1989	99¼ xd	+	11.59	11.82
97	90¼	Treas 9½pc Cnv. '89	93	+	10.13	11.83
84	79	Treas 3pc 1989	83	+	3.60	8.89
99	96	Treas 10½pc 1989	96	+	10.87	11.71
98	92	Exch 10pc 1989	94 xd	+	10.59	11.83
101	95	Exch 11pc 1989	97	+	11.25	11.72

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

"Recent Issues" and "Rights" Page 38
(International Edition Page 42)

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option *First Dealings	Declara- tions	Last Dealings	Account Day
Dec 23	Jan 9	Jan 10	Jan 20
Jan 13	Jan 23	Jan 24	Feb 3
Jan 27	Feb 6	Feb 7	Feb 17

* "New-time" dealings may take place from 2.30 am two business days earlier.

Fresh rally frustrated by political and interest rate uncertainties

Interest rate and political uncertainties continued to dominate London stock markets yesterday. Throughout the session share and bond markets were subjected to various rumours or reports, concerning the two situations and attempts to extend the sharp recovery which began late on Wednesday were frustrated.

The first mid-morning report concerned Leon Brittan, the Trade and Industry Secretary. It was suggested that he had resigned over the bitter wrangle over the future of Westland. Mr Brittan denied the allegations but speculation on his future remained.

In the mid-afternoon, talk of the US Federal Reserve rejecting the idea of a co-ordinated move to lower international interest rates swept markets. At the same time, it was inferred that Saudi Arabia had again increased oil production by 500,000 barrels per day.

Against this backdrop, a further easing in commercial money market rates failed to enthuse investors to any marked extent. Most fund managers were content to await the Group of Five meeting this weekend, the outcome of which could determine the short-term course of markets.

The two main indices reclaimed fresh ground but the FT Ordinary share index after rising 7.5 to 1117.1 eased back to stand only 1.7 up, at 1 am, before improving again to close 3.6 up on the day at 1113.2. The broader-based FT-SE 100 share index performed much the same to end 4 points higher at 1394.5.

Gilt-edged securities began with a flourish, encouraged by a strong US bond market overnight. Sustained support lifted some longer-dated issues a point, and eventually the authorities' supply of the remaining taplet, Treasury 10 per cent 1992, was exhausted at 92¾. Soon afterwards buyers retreated and the market began contemplating the possibility of fresh Government funding. The tone consequently softened. In the after-hours' trade, more ground was lost and gains were pared to around ¼. Treasury 11¾ per cent 2001-04 rose to 108½ before settling at 107⅞, a net improvement of ¼ only.

GRE bought

For the first time in months, takeover speculation was rife among Composite Insurances. Rumours that West Germany's largest general non-life group Allianz was about to launch a bid for GRE saw the latter's shares advance strongly to a new peak of 788p before closing the session a net 20 higher on balance at 785p; Allianz, meanwhile, up around 175 points already this year on talk of a pending major acquisition, encountered profit-taking and dropped 23 points to £735. Sun Alliance were also fairly active amid vague rumours about a possible offer from GRE and closed a few pence dearer at 556p, after 563p. Commercial Union put on a penny to 238p, after 240p, while General Accident added 4 at 727p and Royals firmed 10 to 803p. Lloyds Brokers were inclined better with perennial bid favourite Hogg Robinson notable for a rise of 10 at 278p, with the new shares the same amount up at 38p.

Quietly firm trading conditions prevailed in the major clearers. Midland again led the way with a fresh improvement of 9 at 437p. Elsewhere, Royal Bank of Scotland reflected expansion hopes at 272p up 6.

Distillers were lively and advanced to a new peak of 568p before settling 14 up on balance at 552p amid persistent hopes of an increased offer from Argyll Group, 18 to the good at 375p. Attention elsewhere in the drinks sector centred on Regional Breweries. Recent takeover favourite Davenports hardened 5 more to 365p, after 370p, in response to the intimated offer from local rivals Wolverhampton and Dudley, 8 lower at 420p. Whitbread Investment, which controls just under 18 per cent of Davenports, rose 10 to 198p, after 201p. The news revived interest among other concerns, notably Greene King which advanced 10 to 195p.

The tone in the Building sector continued to improve. The leaders attracted sporadic buying interest with RMC 4 better at 462p and Redland 11 to the good at 357p; the latter following a squeeze on bear positions. Rugby Portland Cement continued to reflect takeover speculation and rose a further 2½ to 143p.

ICI edged forward to 754p prior to closing a net 5 up at 750p. Wardle Storeys, a strong market recently reflecting the good results, encountered profit-taking and slipped 2 to 241p, but speculative counter British Benzol were again in demand and touched 74p before closing a penny dearer on balance at 71p.

Dixons continued to dominate proceedings in Retailers, rising another 27 to 945p following the extremely favourable reception given to the bumper first-half profits and proposed scrip issue. Elsewhere, Lee Cooper advanced 7 to 162p amid speculation of an imminent development, but Wigfalls dipped a few pence to 111p in reaction to the increased mid-term deficit.

Sold recently on fears that the bid from GEC could be referred to the Monopolies Commission, Plessey steadied on bear closing and finished a couple of pence dearer at 166p; GEC, however, eased 2 to the same level. Other Electrical majors edged forward in quiet trading. Elsewhere, Eurotherm improved 5 to 320p, after 330p, following the annual results and FKI gained 2½ to 49½p in belated response to press comment. CPS Computer dropped 5 to 27p following the board's forecast of a £½m deficit for the year.

Leading engineers closed with little alteration, but secondary issues recorded several features. Davy, reflecting interim profits well below market estimates, dipped to 94p before recovering on takeover hopes to close 8 down on balance at 100p. Staveley advanced 18 more to 378p, while TI improved afresh to 378p on continued bid speculation before profit-taking clipped the price to a close of 373p, up 3 on the day. Westland finished a similar amount dearer at 93p, after 97p, on news of Hanson Trust's 14.98 per cent stake in the company. Glynwed advanced 8 to 256p following a "chart buy" signal. Dealings resumed in C. and W. Walker following the announcement of the proposed acquisition of Multiple Industries and a rights issue; the shares closed at the suspension price of 39p after moving between 41½p and 37p.

Recently dull Cadbury Schweppes revived strongly on vague takeover rumours and gained 5 to 153p, while United Biscuits, 2 better at 238p, reflected speculative support on hopes that the merger with Imperial Group could still proceed if Imps succeeds in fighting off the unwelcome offer from Hanson Trust. Elsewhere, A. G. Barr responded to fresh support with a rise of 8 at 260p.

Turner & Newall up

Leading miscellaneous industrials presented a mixed appearance. BOC, up to 289p initially, met with selling following a broker's downgraded profits forecast and fell back to 280p before settling 4 off on balance at 282p. BTR, in contrast, attracted occasional demand and put on 10 to 373p, but losses of around 3 were recorded in Beecham, 325p, Boots, 234p, and Trafalgar House, 228p. Elsewhere, Turner and Newall came to life with a flourish, closing 27 up at 118p on news that the charge in 1985 for asbestos-related disease claims will be reduced by about £8m. Pearson were also well to the fore following a revival of speculative activity and closed 13 higher at 425p, after 428p. Bridport Gundry gained 8 to 151p after the chairman's annual statement, while satisfactory annual results left Gestetner 5 dearer at 109p. Low and Bonar continued firmly at 353p, up 8, while Flexello met with revived buying interest and put on 6 to 110p. Cannon Street Investments, in contrast, eased a few pence to 103p, after 98p, on the proposed £3.2m rights issue.

Among Leisure issues, Leisuretime International firmed 4 to 69p on expansion hopes, while Greenwich Cable added 3 to 28p reflecting the company's diversification plans.

An otherwise uneventful session in Motors was enlivened towards the close by Dowty which fell 12 to 183p following interim profits some £4m below market estimates.

Properties attracted selective buying interest. Slough Estates were noteworthy for a gain of 4 at 149p, while British Land firmed 3 to 150p. Hammerson A hardened 5 to 445p and Peachey improved 2 to 260p. Secondary issues displayed several bright features. Country and New Town were excited by news that Mr John Gunn had been appointed a non-executive director and gained 10 to 110p. County moved up 6½ to 141p in further response to the good results, while associate McLeod Russel rose 13 to 330p. Edmond Holdings were briskly traded and firmed a penny to 14½p.

Textiles continued to attract a fair measure of speculative interest. David Dixon spurted 24 to 282p—a gain of 58 so far this week—on confirmation that merger talks are in progress with A. & J. Gelfer, 12 dearer at 110p; the latter, which already controls around 20 per cent of Dixon, is scheduled to reveal interim figures next Tuesday. Buyers also displayed revived enthusiasm for Jerome which touched 71p before settling a net 7 higher at 69p.

Imps, again the subject of considerable traded option business, advanced 8 to 258p following publication of the rejection document to Hanson Trust's offer.

Oils easier late

Leading oils were a shade firmer for much of the day, but started to lose ground towards the official close as crude oil spot prices weakened amid talk that Saudi Arabia is about to increase its oil output by a further 500,000 barrels a day. BP, up to 558p in mid-session, subsequently dipped to close unchanged on balance at 553p, while Shell settled 5 off at 680p.

Secondary oils provided a firm feature in Clyde Petroleum which touched 71p prior to ending the day a net 5 higher at 65p following news that Australia's Moonie Oil is taking a near 19 per cent interest in Clyde at 75p a share. Clyde will use the cash to purchase a 0.75 per cent interest in the Forties oilfield in the North Sea from Texaco. Moonie Oil put on 5 to 140p. Elsewhere, Jackson Exploration attracted renewed speculative support and rose 8 more to 31p, a two-day gain of 13.

Hopes of further rationalisation moves within the sector, in the wake of the Anglo-Indonesian and Plantation and General merger announcement, attracted investors to selected Plantation issues. Williamson were particularly favoured and ended the day 45 higher at 475p.

Golds surge ahead

A sudden and marked acceleration in the pace of the recent upsurge in the bullion price produced the biggest single-day's rise in South African Gold shares for more than two years and strong gains throughout other gold and precious metal related areas of mining markets.

Bullion was trading around the $360 level during the morning but quickly raced ahead to touch $380 at midday, before subsiding to close at net $15.75 firmer on the day at $362 an ounce. The metal price has now risen almost $40 since the turn of the year. Yesterday's sudden jump was attributed to a number of rumours, including heavy buying by Middle Eastern sources in the wake of the US/Libya tension and talk that US gold options and futures traders have been caught with substantial short positions during the recent period of rising gold prices.

Gold shares opened sharply higher, helped by aggressive US buying overnight, and progressed throughout the morning owing to sustained London, Continental and Johannesburg demand. The midday surge in gold, however, prompted a rush of buying orders which quickly uncovered a widespread shortage of stock. Consequently, share prices soared before the subsequent easier trend in the metal price encouraged profit-taking sales. Although well below their best levels the leaders ended the session with gains stretching to almost £5 in places.

The Gold Mines index jumped 37.2 to 348.8, its best level since August last year and a rise of nearly 100 points since the beginning of the year.

Financials were similarly firm. Anglo American Corporation settled 75 higher at 960p, De Beers moved up 35 to 442p and "Johnnies" closed another £4 to the good at £69. UK stocks RTZ and Consolidated Gold Fields added 5 apiece at 562p and 494p respectively, the latter after 502p. Hampton Areas also helped by the Thomson North Sea farm-out deal, were 13 up at 143p.

In a buoyant Platinums group Impala were 70 higher at 690p and Rustenburg added 49 at 664p. Golds also featured strongly in Australians. Central Norseman put on 20 to 383p and GMK 10 to 465p. Sons of Gwalia jumped 11 to 177p, ACM 10 to 86p and North Kalgurli 5 to 50p.

Traded options

Demand for Traded Options expanded sharply from Wednesday's levels with 17,594 contracts struck. Operators displayed a lively interest in current bid situations, notably Distillers which contributed 2,682 calls, and Imperial Group, which attracted 1,290 calls. Lonrho, due to announce annual results shortly, recorded 1,540 calls. Elsewhere, the strength of bullion prompted enthusiasm for positions in Consolidated Gold Fields and Vaal Reefs which attracted 1,046 and 557 calls respectively.

FINANCIAL TIMES STOCK INDICES

	Jan. 16	Jan. 15	Jan. 14	Jan. 13	Jan. 10	Jan. 9	year ago
Government Secs	81.38	80.93	81.48	81.13	81.56	80.98	79.73
Fixed Interest	87.11	87.45	87.67	87.41	87.38	86.64	83.69
Ordinary ♦	1113.2	1109.6	1119.6	1106.1	1125.8	1109.0	987.2
Gold Mines	348.8	311.6	300.2	299.4	286.5	311.6	462.4
Ord. Div. Yield	4.45	4.46	4.43	4.47	4.41	4.46	4.35
Earnings, Yld. % (full)	10.21	10.24	10.23	11.13	10.26	10.30	11.04
P/E Ratio (net) (*)	11.38	11.33	11.44	11.11	11.38	11.30	10.88
Total bargains (Est.)	33,276	34,575	34,150	35,488	25,138	34,153	35,560
Equity turnover £m.	—	391.79	482.89	570.15	337.47	—	500.42
Equity bargains	—	18,942	24,513	34,191	23,031	—	25,122
Shares traded (ml)	—	195.4	244.7	272.2	245.8	—	240.2

♦ 10 am 1116.4. 11 am 1114.2. Noon 1111.9. 1 pm 1111.2. 2 pm 1111.7. 3 pm 1113.2. 4 pm 1113.2. Day's High 1117.1. Day's Low 1111.2. Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest index 01-246 8026. *Nil=10.87.

HIGHS AND LOWS / **S.E. ACTIVITY**

	1985/86 High	1985/86 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10/85)	78.02 (28/1/85)	127.4 (9/1/85)	49.18 (3/1/75)
Fixed Int.	90.98 (23/12/85)	82.17 (28/1/85)	150.4 (28/11/47)	50.55 (3/1/75)
Ordinary	1149.5 (8/1/86)	911.0 (5/12/85)	1149.6 (8/1/86)	49.4 (26/6/40)
Gold Mines	530.2 (16/4/85)	217.2 (6/11/85)	734.7 (15/2/83)	43.5 (26/10/71)

INDICES	Jan. 15	Jan. 14
Daily Gilt Edged Bargains	154.7	151.0
Equities Bargains	122.2	139.7
Value	79.2	100.1
5 day Average Gilt Edged Bargains	148.8	146.4
Equities Bargains	146.3	150.3
Value	946.4	1005.3

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Argyll Group	375	+18
Davy Corp.	100	−8
Distillers	552	+14
Dowty	183	−12
GRE	785	+20
Impala Plat.	690	+70
Imperial Group	258	+8
North Kalgurli	50	+5
Southvaal	559	+34
Sun Alliance	556	+3
Turner & Newall	118	+27
Vaal Reefs	£56½	+3¼

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Reuters B	21	376	+16
Chemring	19	565xd	+15
Dixons Group	18	913	+23
Glaxo	17	[illegible]	[illegible]
RTZ	17	557	+23
De Beers Dfd.	16	[illegible]	[illegible]
Brit. Benzol	15	70	−5
Vaal Reefs	14	[illegible]	[illegible]
Westland	14	91	+5
Bula Res.	13	2	+2
Cns. Gld. Flds.	13	489	+7
ICI	13	745	+3
Plessey	13	164	−4
BAT Inds.	12	333	+3

TRADITIONAL OPTIONS

First Deal-ings	Last Deal-ings	Declara-tion	For Settle-ment
Jan 6	Jan 17	Apr 10	Apr 21
Jan 20	Jan 31	Apr 24	May 5
Feb 3	Feb 14	May 8	May 19

For rate indications see end of Unit Trust Service

Money was given for the call of Cadbury Schweppes, Sunscene Investments, Microfocus, STC, Wit Nigel, Fergebrook, Amstrad, Aquarius, Combined Technologies, Atlantic Resources, Westland, Sears, Rugby Portland Cement, Air Call and Dominion International. Puts were taken out in Combined Technologies, Atlantic Resources, Westland and Amstrad. A double option was transacted in North Kalgurli.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+ or −	Net Div.	Times covered	Gross yield	P/E ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Abbott Mead Vickers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Ashley (Laura) 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cable & Wireless 50p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and yield based on prospectus or other official estimates for 1986. [illegible] ‡ Issued by tender. || Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. [illegible] ¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. [illegible] ‡ Units comprising 12 preference shares and one warrant, at £12 per unit. ‡‡ Units comprising two ordinary, one preference and one warrant.

NEW HIGHS AND LOWS FOR 1985/86

NEW HIGHS (63)

[illegible]

NEW LOWS (19)

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Corpns. Dom. and Foreign Bonds	4	2	36
Industrials	410	167	920
Financial and Props.	215	31	323
Oils	17	[illegible]	74
Plantations	[illegible]	[illegible]	[illegible]
Mines	113	3	53
Others	45	40	76
Totals	1,025	286	1,513

EUROPEAN OPTIONS EXCHANGE

Series	Vol.	Last	Vol.	Last	Vol.	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 96,366

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

January 16 Total contracts 17,594 Calls 13,621 Puts [illegible]

*Underlying security price

WORLD STOCK MARKETS

AUSTRIA

Jan. 16	Price Sch%	+ or —
Credit'nst'lt pp *	2,345	......
Goesser *	8,750	+60
Interuntall *	14,300	-150
Jungbunzlauer *	45,500	-300
Laenderbank *	2,150	+50
Perimooser	725	-20
Steyr Daimler	175	+5
Veitscher Mag *	10,000	-20

BELGIUM/LUXEMBOURG

Jan. 16	Price Frs.	+ or —
B.B.L.	2,290	-10
Banq. Gen. Lux.	2,600	......
Banq. Int.A.Lux	9,850	......
Bekaert	8,250	......
Ciment CBR	2,705	+55
Cockerill	186	+4
Delhaize	8,700	......
EBES	5,650	+20
Electrobel	10,525	+100
Fabrique Nat.	2,030	+20
GB Inno BM	4,605	+55
GBL (Brux)	2,360	+50
Generale Bank	4,555	+45
Gevaert	5,000	+55
Noboken	5,940	+100
Intercom	2,950	+45
Kredietbank	10,300	+30
Pan Hldgs.	9,930	......
Petrofina	6,400	......
Royale Beige	17,500	+100
Soc. Gen. Belge	2,140	+15
Sofina	8,200	+50
Solvay	5,100	-50
Stanwick Intl	1,058	......
Tractionel	4,875	+15
UCB	6,550	+30
Wagons Lits	4,195	+75

DENMARK

Jan. 16	Price Knr %	+ or —
[illegible]		

GERMANY

Jan 16	Price Dm.	+ or —
AEG	296	-19
Allianz Vers	2,565	-600
BASF	284	+1
Bayer	291.5	+1.5
Bayer.Hypo	630	+2
Bayer-Verein	580	-25
BNF-Bank	575	+5
BMW	662	+5
Brown Boveri	268	-4
Commerzbank	571	+7
Cont'l. Gummi	216	+15.7
Daimler-Benz	1415	-30
Degussa	489.5	+14.5
D'sche Babcock	255	-2
Deutsche Bank	690	-10
Dresdner Bank	476.2	-5.8
GHH	285	+0
Henkel	406	+1
Hochtief	760	+10
Hoechst	291	+0.5
Hoesch Werke	129	......
Holzmann (P)	585	......
Horten	224	-2
Husel	475	+10
Karstadt	378	-6
Kaufhof	398	-9
KHD	386	-9
Kloeckner	126.5	+1
Linde	678	-10
Lufthansa	274	+3
MAN	248	-17
Mannesmann	308	+0.0
Mercedes Hld	1,275	+39
Metallgesell	400	-16
Muench Rueck	5,930	......
Nixdorf	586	-6
Porsche	1,391	+20
Preussag	276	-4
Rhein West Elect	212	-18.5
Rosenthal	564	-6
Schering	660	+1
Siemens	798	-20
Thyssen	186	-4
Varta	328	+1
Veba	305.5	-2

NORWAY

Jan. 16	Price Kroner	+ or —
Bergens Bank	170.5	+1.5
Borregaard	462.5	......
Christiania Bank	176	+2
DenNorske Cred	178	+0.6
Elkem	104	+1
Kosmos	192	+4
Kvaerner	187.5	+2.5
Norsk Data	455	+5
Norsk Hydro	142	+0.5
Storebrand	265	+10

SPAIN

Jan. 16	Price Pts %	+ or —
Bco Bilbao	476	+4
Bco Central	402	+11
Bco Exterior	255	+5
Bco Hispano	194	+5
Bco Popular	565	+10
Bco Santander	465	+10
Bco Vizcaya	687	+6
Dragados	170	+9
Hidrola	97.7	+1.7
Iberduero	107	+1.5
Petroleos	191	+9
Telefonica	136.7	+1.2

SWEDEN

Jan. 16	Price Kronor	+ or —
AGA	195	+4
Alfa-Laval 9	268	......
ASEA (Free)	550	-5
Astra (Free)	515	+10
Atlas Copco	174	......
Cardo (Free)	268	-12
Cellulosa	174	-3
Electrolux B	205	-1
Ericsson B	228	+5
Esselte	490	......
Mo och Domsjo	206	-4

AUSTRALIA (continued)

JAPAN (continued)

HONG KONG

SWITZERLAND

ITALY

NETHERLANDS

FRANCE

SINGAPORE

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Prices at 2.30pm January 16

MONTREAL

Closing prices January 15

Total Sales 5,462,065 shares

F—No voting rights or restricted voting rights.

Indices

NEW YORK—DOW JONES

Advances 792 Declines 717

TORONTO	Jan 16	Jan 15	Jan 15	Jan 13	1985/86 High		1985/86 Low	
Metals & Minls	2,288.5*	2,279.3	2,148.99	2,130.22	2190.7	(13/2/85)	1740.82	(31/10/85)
Composite	2,878.1*	2,853.6	2,811.98	2,811.1	2908.6	(31/12/85)	2348.5	(8/1/85)
MONTREAL Portfolio	140.77*	139.57	137.48	137.50	142.07	(17/12/85)	117.09	(4/1/85)

* Indicates pre-close figure

** Saturday January 11: Japan Nikkei (c). TSE (c).

Base value of all indices is 100, except: JSE Gold—255.1.; JSE Industrial—264.3; Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. 1 Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES		
Tr 8¼% 87/90	£90	+ ⅜
Ex 10¼% 1995	£93½	+ ⅜
Argyll Group	£375	+18
ACM	86	+10
BTR	373	+10
Bridp-Gundry	151	+ 8
Cadbury Sch	153	+ 5
Clyde Pet	65	+ 5
De Beers Defd.	442	+35
Distillers	552	+14
Dixon (David)	282	+24
Dixons Group	945	+27
Ctry & New Town	*110*	*+10*
Ctry Props. B	141	+6½
Gelfer (A.J.)	110	+12
Glynwed Intl.	256	+ 8
GRE	785	+20
Hogg Rob	278	+10
Impala Plat	690	+70
Imperial Gr	258	+ 8
Jackson Ex	37	+ 8
Jerome (S.)	69	+ 7
North Kal	50	+ 5
Pearson	425	+13
Simmer & Jack	180	+40
Staveley Inds.	378	+18
Turn & News	118	+27
Will Tea	475	+45
FALLS		
Davy Corp.	100	- 8
Dowty	183	-12

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 45

Prices at 3pm, January 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28	16	AAR	.56	2.1	16	43	27¼	26¾	26⅞	- ⅛
24⅝	10¼	AGS			17	33	22⅞	21⅞	22	+ ⅛
15⅜	9⅝	AMCA				24	10¾	10¾	10¾	- ¼
50¾	33½	AMR			7	8521	43⅝	42¾	43¼	+ ½
24¾	18⅝	AMR pf2.18		8.3		1	23½	23½	23½	
25¼	23¼	ANR pf2.67		11.		2	24¾	24½	24¾	+ ¼
11¾	7⅝	APL			5	4	10⅜	10⅜	10⅜	
16¾	10¼	ARX			14	50	14⅝	14⅛	14½	
55⅜	32¾	ASA	2a	5.8		2276	40¾	39⅞	40⅛	+ ¾
27	10½	AVX		2.2		180	14⅛	14½	14¾	- ½
28⅞	20⅝	AZP	2.72	10.	7	1224	26⅞	26½	26½	- ¼
72	41⅛	AbtLab 1.40		2.1	10	1466	68¼	67	67⅝	- ⅞
27	19⅝	AccoWd .50		1.8	20	91	u27⅞	26⅞	27¼	+ ½
24¾	10	AcmeC .40		2.8	21	209	14½	14¼	14½	
10½	7	AcmeE .32b		3.8	13	3	8¼	8¼	8¼	- ⅛
19¾	15½	AdaEx 1.90e		11.		41	18	17⅞	18	
22¾	14	AdmMl .40		1.8	9	11	21⅞	21⅝	21⅞	
16⅝	6¾	AdvSys 1.36t		8.1	15	98	16⅞	16¾	16¾	- ⅛
36⅝	22⅞	AMD			42	2121	28⅝	27⅞	28¼	+ ¼
12½	10⅝	Adobe n				233	12⅜	12⅛	12¼	- ⅛
18⅝	14⅝	Adob pf2.40		14.		20	17¾	17⅝	17⅝	- ⅛
18½	15¼	Adob pf1.84		10.		44	18¼	18	18	- ⅛
14⅝	8⅛	Advest .12a		.9	20	197	14⅛	13⅞	13⅞	
55½	37	AetnLf 2.64		4.9	17	7559	53⅞	53⅜	53½	+ ¼
57⅞	52½	AetL pf2.19e		9.5		517	54⅝	54⅛	54⅝	+ ⅛
54	27	Ahmns 1.20		2.3	9	2593	51⅞	51	51⅝	+ ⅛

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from Page 44

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
95	57½	Wrigly 1.60a		2.1	14	63	85¼	84¾	85¼	+1
4¾	2⅞	Wurlitr				25	3½	3½	3½	+⅛
10	10⅝	WyleLb .32		2.2	84	152	14⅞	14½	14¾	+¼
23⅝	15½	Wynns .60		3.6	13	6	16⅝	16⅝	16⅝	−½
81¼	39⅞	Xerox	9	4.9	21	2625	u61¼	60¼	60⅝	+⅛
56¾	49	Xerox pf5.45		9.9		273	50¼	55⅛	55¼	+¼
30¼	24⅝	ZaleCp 1.32		4.3	13	388	u30½	29¾	30½	+¾
17	6¼	Zapata	12	1.5	55	145	8¼	0	8⅛	−⅛
66⅛	35⅝	Zayre s .48		.0	17	189	58½	58¼	58⅛	−⅜
25	16¼	ZenithE				934	545	20⅛	19¾	19⅞
23⅝	17¼	Zero s	.36	1.8	17	69	21	20⅝	20½	−½
41½	25¾	Zurnin 1.32		3.4	14	197	38¾	38⅝	38¾	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, January 16

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Shadow cast by Group of Five meeting

THE MEETING in London this weekend of the G5 ministers cast its shadow over Wall Street yesterday, *writes Terry Byland in New York.*

The bond market, reversing its previous optimism, eased as US officials failed to support reports that the G5 meeting would co-ordinate further reductions in interest rates.

The stock market looked mixed, as a drop in index futures sparked off selling programmes by several brokerage houses.

By 2pm, the Dow Jones industrial average was 2.64 up at 1,529.93.

Interest-rate-oriented stocks crumbled as bonds eased. But the renewed strength of the bullion price pushed gold producer stocks ahead.

Manufacturing stocks looked mixed, with the Detroit motor issues unhappy after the latest industry sales statistics.

In the day's most significant corporate development, stock in GTE remained unchanged at $47⅞ following news of two significant developments – one joint venture with Siemens and another with United Telecommunications.

Technology stocks continued to respond favourably to the flow of corporate results.

Heavy turnover in IBM took the stock up $1 to $153⅜, close to its peak ahead of results due today. Bulls of IBM were encouraged by good profits from Digital Equipment, which jumped a further $3⅜ to $145⅛, also in hefty trading.

Pharmaceuticals, responsive to prospects for the dollar because of their high overseas sales and profits content, reflected the market's uncertainty with widely irregular changes. Pfizer jumped $1⅛ to $49⅞, but Merck, which represents the sector in the Dow average, fell $1 to $135⅜, after SmithKline Beckman announced official approval for a glaucoma drug which rivals Merck's product.

Banks were active as the flow of results reached its peak. But prices were influenced chiefly by the backlash from this week's mixed views on interest rates, which brought some profit-taking. A notable casualty was Chase Manhattan, down $1⅞ at $76⅞. Bankers Trust, however, which disclosed its 1985 earnings total, gained $⅝ to $74. Also reporting progress, Continental Illinois Corporation eased $⅛ to $8⅞ while the holding company stock gained $⅛ to $1⅛ as speculators took a brighter view of the bank's return from the brink of the abyss.

Bank of New York eased $⅛ to $53⅞ after announcing little changed profits in the final quarter of last year. At $31⅝ Security Pacific shed $⅛ after results.

Oil stocks suffered fresh losses as petroleum futures hit new lows in New York, and high production in Saudi Arabia was reported. Exxon lost $1⅛ to $52⅞ and Chevron $⅜ to $36⅝.

But the same factors helped airline stocks, where, among the domestic carriers, American gained $⅝ to $42⅞, Delta $1 to $40⅞ and United $⅝ to $49⅞.

A strong feature was MGM/UA, which bounded ahead $2¼ to $22⅜ as Mr Ted Turner announced a new restructuring of the proposed acquisition.

Wall Street's uncertainty over the financing of the Turner plan was assuaged by a confident statement from Drexel Burnham Lambert, Turner's adviser and the dominating name in high-yield finance issues.

The credit market looked less sure of itself as it assessed prospects for the G5 meeting. Traders who had hastened to close positions on Wednesday when West German reports suggested another concerted move to lower interest rates backed away yesterday.

A dip in the federal funds rate below 6 per cent, as tax pressures eased, found little response from other short-term rates. Treasury bills held close to overnight levels.

The bond market, lacking both retail and trader interest, opened ½ point lower. At mid-session the picture brightened, and losses were trimmed by a scattering of short covering buying orders.

TOKYO

Brisk buying after pause for holiday

BLUE-CHIP electricals and precision instruments were bought briskly on the post-holiday Tokyo market yesterday, driving share prices substantially higher, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average gained 98.53 from Tuesday to 13,027.13, the first rise in five trading days. But trading continued thin at 243m shares, compared with Tuesday's 228m. Advances outnumbered declines by 441 to 376, with 136 issues unchanged. The Tokyo market was closed on Wednesday for a public holiday.

Strong buying interest in blue-chip issues was sparked by growing expectations that the G5 finance ministers, in a weekend meeting in London, could reach agreement on lowering interest rates.

But scepticism mounted in the afternoon session, and institutional investors stayed on the sidelines, triggering profit-taking pressure on issues other than blue chips.

Export-oriented blue chips were the pacesetters for yesterday's activity. Nissan Motor topped the active list with 16.67m shares changing hands, rising Y3 to Y575. Hitachi jumped Y28 to Y760, Victor Y160 to Y1,830, Matsushita Electric Industrial Y60 to Y1,300 and Fujitsu Y70 to Y1,070. Nippon Kogaku gained Y55 to Y1,040 and Ricoh Y70 to Y1,080. These issues attracted small-lot buying by investment trusts in Europe and in Japan.

Toyo Seikan rose Y120 to Y1,750, supported by buying by Nomura Securities. Kandenko gained Y80 to Y3,210 and Dai Nippon Printing Y50 to Y1,340.

Sumitomo Metal Mining, engaged in development of its gold mine in Kagoshima Prefecture, southern Japan, continued to attract strong buying interest, helped by rising gold prices. The issue, second busiest with 6.04m shares, closed Y20 higher at Y2,020.

Nippon Mining got off to a steady start but came under selling pressure later to finish at Y402, down Y1. It was the third most active stock with 5.20m traded.

Tokyo Electric Power gained Y50 at one stage, but profit-taking sent down the issue later to Y2,780, unchanged from Tuesday. Other electric powers were mixed. Tokyo Gas fell Y3 to Y265.

Kakuei Construction, which attracted speculative interest last week, shed Y41 to Y434 while Netsuren dropped Y25 to Y714.

Bond trading was active, supported by the G5 nations' expectations of lower interest rates. The yield on the benchmark 6.2 per cent government bond, maturing in July 1995, declined to 5.640 per cent from Tuesday's 5.790 per cent. The yield dipped to 5.610 per cent at one stage.

SOUTH AFRICA

HECTIC TRADING, aided by huge overseas buying, pushed Johannesburg gold shares to record highs. Randfontein sprinted R7 higher to R275, Vaal Reefs R3 to R234 and Western Deep R2 to R114.

Other sectors immediately benefited from the strong demand, with diamond leader De Beers 35 cents stronger at R16.40 and Rustenburg Platinum 15 cents higher at R26. Copper group Palabora held steady at R24.

Industrials, however, were left out of the rally, with sector leader Barlow Rand slipping 15 cents to R14.85 and Sasol 20 cents to R8.60.

CANADA

THE SHARPLY higher bullion price, prompted by rekindled Middle East tension and the prospects of a weaker dollar, fuelled a dramatic surge in Toronto gold stocks and mining issues.

Lac Minerals put on an early C$⅞ to C$39⅞ while Denison Class A firmed C$⅜ to C$14⅜ after Denison announced a large write-off for a coal investment.

Among other mines, Denison Class B traded C$⅜ higher to C$13⅜, while Falconbridge added C$⅞ to C$33⅞.

Montreal was busy again and made solid progress. Banks and utilities led the advance.

EUROPE

Mood still bullish on rates hopes

CORPORATE news tended to dominate a Europe caught up in profit-taking after steep rises in the two previous sessions.

The underlying sentiment still appeared to be bullish, however, as speculation mounted that ministers and central bankers from the Group of Five industrialised countries might act to lower interest rates when they meet in London this weekend.

Optimistic earnings expections from two large chemical groups in Zurich boosted prices.

During the session both Sandoz and Ciba-Geigy reported record turnover for 1985, and Sandoz directors recommended a higher dividend on its participating certificates. Sandoz put on SFr 150 to SFr 11,450 while Ciba-Geigy was unchanged at SFr 4,250.

Banks continued to be popular, encouraged by forecasts of higher profits for 1985 from Swiss Volksbank, which gained SFr 60 to SFr 2,690. Crédit Suisse ended SFr 760 ahead at SFr 3,860, and Union Bank of Switzerland climbed SFr 95 to SFr 5365.

In industrials Alusuisse barely reacted to reports that the company was shaking up its top management after facing a SFr 250m writedown on 1985. The issue gained SFr 5 to SFr 675.

Institutions, which found themselves flush with liquid assets, pumped them into the bond market, pushing prices higher.

Frankfurt trading was extended for the second consecutive session. On Wednesday, turnover reached a record DM 1.4bn. Shares tended mixed to lower as a result of enthusiastic profit-taking.

Shares that registered substantial rises in the previous two record-breaking sessions came under the hammer as investors rushed to take gains.

Daimler dropped DM 30 to DM 1,415 while Siemens shed DM 20 to DM 796.

Chemicals moved against the trend, leaving BASF DM 1 higher at DM 284, Bayer DM 1.50 at DM 291.50 and Hoechst 50 cents at DM 291.

An active bond session saw prices rise by as much as 25 basis points. Comments on Wednesday by Mr Martin Bangemann, the Bonn Economics Minister, on the prospects for lower interest rates kept sentiment high.

The Bundesbank pursued its selling policy, launching DM 90.3m worth of paper into the market after it sold DM 60.2m on Wednesday.

Paris surged as resource issues, prompted by a firmer bullion price, were sought actively. Late profit-taking brought issues down from their highs for the day.

Aerospace group Matra added FFr 2 to FFr 1,685. The company is taking a stake in the independent telephone group CGCT.

After a sparkling early performance, Amsterdam dropped back to end marginally below the day's highs.

Some sectors were led higher by renewed forecasts of positive Dutch economic prospects for the year which were published earlier this week.

Banks were firmer after sustantial losses earlier this week. ABN added Fl 7.50 to Fl 602 and Amro Fl 3 to Fl 117.60.

Dutch bonds were higher where changed.

Milan recovered from an early drop in prices to end generally steady. The fall was triggered by the decision by Consob, the Italian stock exchange commission, to postpone position-squaring of the January trading month.

Consob also raised the cash deposit for short-term buying to 100 per cent os the next trading month bas been extended to the end of March after continuous striking by Italy's central bank employees. The Government also announced curbs on speculation in the lira.

Brussels was firmer, and gains in gold miners were strong. Madrid was also ahead at the end of the session.

Stockholm closed off its highs after the central bank announced a long-awaited cut in the discount rate to 9.5 per cent from 10.5 per cent.

AUSTRALIA

MINING STOCKS dominated a record-breaking Sydney that took the All Ordinaries to a peak 1,060.9 with o rise of 10.4 while the Metals and Minerals index jumped 15.6 to 546.6.

The surge in the gold price produced a flurry of activity, with Central Norseman 20 cents higber at A$7.50, Emperor Mines 30 cents stronger at A$3.85 and Kidston Gold Mines 34 cents ahead at A$6.04.

BHP jumped 6 cents to A$9.00 in beavy turnover while Bell Group picked up 16 cents to A$7.

North Broken Hill jumped 22 cents to A$2.70 after a partial takeover approach from the Sydney Investment group IEL, which is offering A$2.50 a share for up to 40 per cent of the company. IEL gained 18 cents to A$7.48.

LONDON

Lid kept on rally by rate worries

POLITICAL uncertainties and interest rates frustrated a rolly in London yesterday.

The two main indices reclaimed fresh ground, but the FT Ordinary index finished only 3.6 higher at 1,113.2 after gaining an early 7.5. The broader-based FT-SE 100 followed suit with a 4-point rise to 1,394.5.

Stores featured again, with Dixons 27p higher at 845p, while insurer GRE rose 20p to 765p amid rumours of a possible takeover by Allianz of West Germany.

Golds surged on the bullish bullion price and staged their best performance for over two years. Vaal Reefs rose £3⅞ to £56½

Gilts began with a flourish, encouraged by o strong overnight US bond market. Sustained support lifted some longs by a point ond eventually the authorities' supply of the remaining taplet, Treasury 10 per cent 1992, was exhausted at 92¼. The tone softened later leaving gains of up to ¾.

Chief price changes, Page 43; Details, Page 42; Share information service, Pages 40–41

SINGAPORE

THE BEARISH tone of a nervous Singapore was evident again as the Straits Times industrial index fell a further 10.30 to 618.85 in slightly higher volume.

Cycle & Carriage led the session lower with its 30-cent decline to S$1.90 while Promet, the most active, gave up 7 cents to 57 cents.

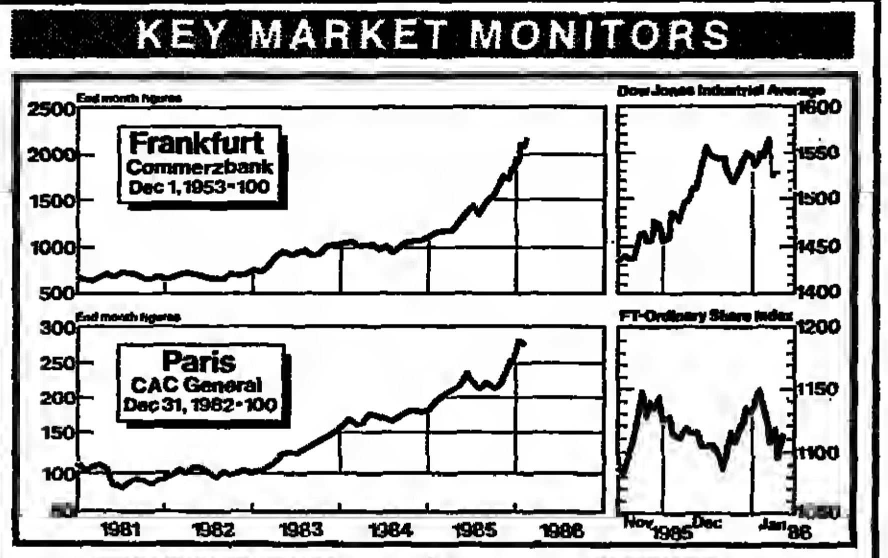
Banks were narrowly mixed, with OCBC 5 cents higher at S$7.25 as UOB slipped 6 cents to S$3.28.

HONG KONG

INVESTORS were distracted by the surge in the gold market and largely abondoned the Hong Kong stock market which featured only moderate trading but was sufficient to boost the Hang Seng index 13.56 bigher to 1,796.22.

Utilities staged a strong rally, with gains of 10 cents apiece for China Light & Power at HK$16.40, Hongkong Electric at HK$8.75 and Hongkong Telephone at HK$11.00.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK			
DJ Industrials			
DJ Transport			
DJ Utilities			
S&P Composite			
LONDON			
FT Ord	1,113.2	1,109.6	987.2
FT-SE 100	1,394.5	1,390.5	1,254.1
FT-A All-share	674.85	672.02	608.39
FT-A 500	738.15	735.96	668.45
FT Gold mines	348.8	311.6	462.4
FT-A Long gilt	10.64	10.68	10.68
TOKYO			
Nikkei	13,027.13	12,928.6	11,933.0
Tokyo SE	1,034.6	1,027.9	935.77
AUSTRALIA			
All Ord.	1,060.9	1,050.5	734.3
Metals & Mins.	546.7	531.2	406.2
AUSTRIA			
Credit Aktien	126.26	126.82	58.55
BELGIUM			
Belgian SE	2,786.62	2,766.91	2,128.14
CANADA			
Toronto			
Metals & Minls	2,260.9	2,219.2	1,996.2
Composite	2,874.1	2,853.5	2,406.3
Montreal			
Portfolio	140.77*	139.57	120.91
DENMARK			
SE	219.75	219.68	181.01
FRANCE			
CAC Gen	276.5	272.5	189.8
Ind. Tendance	105.6	104.0	105.6
WEST GERMANY			
FAZ-Aktien	714.93	719.76	396.26
Commerzbank	2,156.3	2,191.8	1,149.5
HONG KONG			
Hang Seng	1,797.22	1,783.66	1,358.81
ITALY			
Banca Comm.	474.22	475.63	250.27
NETHERLANDS			
ANP-CBS Gen	265.4	261.8	191.4
ANP-CBS Ind	253.0	248.9	153.2
NORWAY			
Oslo SE	402.91	401.52	311.53
SINGAPORE			
Straits Times	919.64	629.15	764.38
SOUTH AFRICA			
JSE Golds	–	1,245.3	1,014.8
JSE Industrials	–	1,103.7	902.8
SPAIN			
Madrid SE	110.8	109.32	108.87
SWEDEN			
J & P	1,803.62	1,805.0	1,426.68
SWITZERLAND			
Swiss Bank Ind	610.3	605.2	404.7
WORLD	Jan 15	Prev	Year ago
MS Capital Int'l	254.9	252.7	189.3

COMMODITIES

(London)	Jan 16	Prev
Silver (spot fixing)	437.45p	424.05p
Copper (cash)	£998.50	£997.50
Coffee (Jan)	£2,400.00	£2,492.50
Oil (spot Arabian Light)	$26.45	$26.75

GOLD (per ounce)

	Jan 16	Prev
London	$362.50	$346.25
Zürich	$363.00	$347.35
Paris (fixing)	$369.53	$347.12
Luxembourg	$358.50	$342.30
New York (Feb)	$357.60	$350.70

CURRENCIES

(London)	US DOLLAR Jan 16	US DOLLAR Previous	STERLING Jan 16	STERLING Previous
$	–	–	1.4385	1.442
DM	2.466	2.4625	3.5475	3.55
Yen	202.35	202.35	291.0	291.75
FFr	7.57	7.555	10.89	10.895
SFr	2.084	2.082	2.9975	3.0025
Guilder	2.774	2.771	n/a	3.995
Lira	1,680.5	1,676.5	n/a	2,417.5
B'Fr	50.35	50.15	n/a	72.3
C$	1.40175	1.405	n/a	2.02535

INTEREST RATES

	Jan 19	Prev
Euro-currencies (3-month offered rate)		
£	12 11/16	13
SFr	4⅛	4 3/16
DM	4⅝	4 11/16
FFr	12⅛	12½
FT London Interbank fixing (offered rate)		
3-month US$	8 5/16	8¼
6-month US$	8 5/16	8¼
US Fed Funds	7⅞*	8⅝
US 3-month CDs	7.75*	7.85
US 3-month T-bills	7.15*	7.17

US BONDS

Treasury	Jan 16* Price	Jan 16* Yield	Prev Price	Prev Yield
7⅞ 1987	99 14/32	8.189	99 12/32	9.794
8⅞ 1993	98 5/32	9.118	98 7/32	9.069
9⅞ 1995	101 6/32	9.295	101 8/32	9.299
9⅞ 2015	104 4/32	9.441	104 4/32	9.45

Treasury Index

Maturity (years)	Return Index	Jan 16* Day's change	Yield	Day's change
1–30	136.97	–0.18	8.96	+0.02
1–10	133.87	–0.09	8.72	+0.02
1–3	129.01	+0.01	9.34	+0.01
3–5	135.73	–0.05	9.88	+0.03
15–30	148.11	–0.43	9.81	+0.04

Source: Merrill Lynch

Corporate	Jan 15* Price	Jan 15* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	102⅞	10.30	102⅞	10.30
3⅞ July 1990	85.321	7.85	85.321	7.85
8⅞ May 2000	92⅞	10.08	92⅛	10.08
Xerox				
10⅞ Mar 1993	104	9.82	104	9.82
Diamond Shamrock				
10⅞ May 1993	102	10.22	102	10.22
Federated Dept Stores				
10⅞ May 2013	100⅞	10.60	100⅞	10.60
Abbot Lab				
11.80 Feb 2013	106⅞	11.00	105⅞	11.00
Alcoa				
12¼ Dec 2012	106⅛	11.50	106⅛	11.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	83-06	83-27	82-23	83-09
US Treasury Bills (IMM) $1m points of 100%				
Mar	92.96	n/a	n/a	n/a
Certificates of Deposit (IMM) $1m points of 100%				
Mar	92.26	92.35	92.24	92.26
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	91.92	92.07	91.90	91.97
20-year Notional Gilt £50,000 32nds of 100%				
Mar	108-19	109-20	108-17	108-14

* Latest available figures